

Australian dairy farmers fear sellout to NZ

AUSTRALIAN dairy farmers have reacted strongly to the news that Australia and New Zealand will discuss closer co-operation in international trading.

The president of the Australian Dairy Farmers' Federation, John Bennett, said Australian dairy farmers had no objection in principle to the creation of a "South Pacific Common Market", providing it was not achieved at the expense of the Australian dairy industry.

Bennett said Australia's 23,000 dairy farmers were following closely the Australian Prime Minister's advocacy of closer economic ties with New Zealand.

He emphasised that the Australian dairy industry was not in favour of closer ties with New Zealand — "If the Australian domestic dairy market is to be used as a carrot to lure the New Zealanders into a closer relationship."

In a blunt warning to the Australian Government he

said: "The dairy industry does not intend to be the scapegoat in this situation."

"The Federal Government had better appreciate that the Australian dairy industry has worked hard putting its house in order over the last few years, and has no intention of being regarded as expendable in international negotiations."

"If there is the slightest hint that the Government intends to sell us out by giving some, or all of our domestic market to the New Zealand dairy industry, to make up for New Zealand's lost markets in Europe, then I can promise the Prime Minister that some Parliamentary heads will roll at the next election."

Bennett said that over the years the Australian Government had already traded away part of the domestic cheese market to the New Zealand dairy industry, and Australian cheese manufacturers were now being faced with price undercutting by New Zealand on the Australian market.



THE AUSTRALIANS

He said: "We are saying to the Australian Government that before they start climbing into bed with the New Zealanders they had better sort out the present cheese import position and give us some solid assurances that the Australian domestic dairy market is very definitely 'not negotiable' in the coming economic talks with New Zealand."

He said for the Australian dairy farmer it was not an issue of free trade, but fair

trade — "If you look at the situation which exists at present there is nothing fair or equitable about the way the New Zealanders have eroded the Australian dairy industry's returns on the domestic market." New Zealand, he claimed, has been using pricing as a mechanism of obtaining market penetration, but its cost structures were not much different from Australia's.

The New Zealand dairy farmers however, had two great advantages: their products were subject to "enormous subsidies" compared with their Australian counterparts, and they derived large amounts of money from sales in Europe, which they can offset against the "ridiculously low price products" they send to Australia.

The move for closer trade co-operation undoubtedly comes from Australia's manufacturing industry, and the sharp reaction among

dairy farmers stems in part from a suspicion that they will be sacrificed to enable more Australian manufactured goods to be sold in New Zealand.

Bennett stressed that whereas the New Zealanders were experts in the field of primary production the Australian manufacturing industry was one of most grossly inefficient sectors of the Australian economy — as would soon become apparent if the common market were to embrace countries beyond New Zealand.

No other rural industry in Australia has faced as many difficulties, both at home and

abroad, as the dairy industry in the last two decades.

At the end of 1978 there were 38,000 fewer registered producers in Australia than there were in 1960.

Total milk production has fallen in the three years 1976 by some 1000 million lbs. butter production by 50 tonnes and production of skimmed milk powder 77,000 tonnes.

Net average returns to producers are expected to be in 1978-79, but any loss, this fragile recovery post-Australia-New Zealand negotiations will meet vigorous political opposition from Australia's dairy farmers.

Inner-city homes sell at premium prices

THERE is an increasing demand for established accommodation in the inner-city areas of Australia's State capitals according to the Real Estate Institute of Australia.

The trend is most apparent in Sydney, where a shortage of property has caused housing prices to rise between 20-25 per cent in the last year.

The house listings shortage is particularly acute in the lower price range below \$80,000.

A spokesman for one of Australia's largest real estate firms said he had never known Sydney to be so short of properties. Houses selling a year ago for \$80,000, are now fetching between \$80,000 and \$85,000, while homes that were sold for \$90,000 a year ago now sell between \$125,000 and \$130,000.

In some areas the percentage increase in price over the last 12 months has been even greater.

Where demand cannot be met at the higher end of the market, houses which would have sold for about \$200,000 last year are now selling for \$300,000.

The rising house prices in Australia's eastern State capitals have been attributed by some to a returning confidence in the national economy. But significantly the increased demand is for established homes.

There appears to be a decline in demand for new homes, at least according to the national president of Australia's Housing Industry Association.

He told delegates at the 14th national housing conference in April that the Australian housing construction industry faced at least 18 months of depressed conditions.

He said high unemployment among young Australians was the basic reason for the decline. Normally the younger age group bought well over 50 per cent of the new homes constructed in Australia.

Even for those employed the fear of unemployment caused them to doubt their capacity to make their mortgage repayments.

Some sections of the Australian media have noted with optimism the increase in building "approvals", but a close analysis shows that the increase has occurred in respect to proposed Government buildings.

The number of "approvals" for the construction of private dwellings in Australia has actually declined, on a seasonally adjusted basis. In addition the Housing Industry Association has reported a marked discrepancy between "approvals" sought for private dwelling construction,

and actual construction.

This assessment was confirmed by a spokesman for the Master Builders' Association, who said there was a falling fall in the mortgage loans for the construction of new dwellings.

In 1978 in the State of Victoria less than 50 per cent of home loans, including banks and building societies, were for new homes, compared with 44 per cent in 1977.

NEW HOUSES . . .

Statisticians recently submitted to a Parliamentary House of Representatives Committee evidence that the growing percentage of loans going into established homes is a nationwide trend.

Those in the inner-city suburbs are seen by many as better value than new homes, and the additional loans available in 1978 have been directed mainly into the purchase of existing dwellings in the inner-city areas.

The executive director of the Real Estate Institute of Australia said Australia's housing industry were becoming increasingly reluctant to travel long distances and were moving to the older inner-city suburbs.

New homes in the inner-city suburbs, he said, would only be built when the inner-city market was strong, or, he added, when new homes were added, when new homes were added, when new homes were added.

Prices of materials have risen sharply in the last 12 months, and the Master Builders' Association predicts that they will rise by 10 per cent during 1979.

Intense competition in the falling market has already had a devastating effect on some smaller building firms, some of which have been forced to liquidate.

It seems unlikely that circumstances can be changed by the builders, but any rise in the price of new homes will sustain the trend towards the purchase of established homes in Australia's capital cities.

Dairy Bd pitches fun milk on local market

by Belinda Gillespie

CARTONS of flavoured Dairy Board milk will be on sale in Auckland by the end of the year.

The board has leapfrogged into the domestic market for flavoured milk by getting import licences for the equipment on the grounds that its product will be mainly for export.

Others who would like to be in on the flavoured milk act are eating their hearts out while Agriculture Undersecretary Iolo Talbot and the Caucus Committee on Town Milk deliberates on the controversial question of milk packaging.

Talbot says the committee is forging its way through the numerous submissions and should be ready to report by the end of November.

It can't come too soon for those with a vested interest in the future of flavoured milk.

A UEB spokesman, for example, told NBR that Government procrastination had cost the company its three-year market lead in milk cartons.

Dick Roberts, general manager of the Hutt Milk Corporation, says the carton is the key to the flavoured milk market. He has been trying since 1970 to persuade the Department of Trade and Industry to grant the necessary licences for its production.

Among the committee's terms of reference are the future of Ultra-Heat-Treated (UHT) milk and its distribution and the use of cartons for both plain and flavoured milk. UHT is the Dairy Board's long shelf-life milk intended for export.

A committee finding in favour of the production of fresh-flavoured milk in cartons will make it difficult for Trade and Industry to justify continued refusal of licences for necessary plant, in view of the Dairy Board's activity on the domestic scene.

The Dairy Board remains adamant that it has designs only on the export market.

We asked Bruce McKinnon, manager of UHT products at the Dairy Board, when production of UHT milk would start at the Dairy Board factory in Takahia.

"We're still at the stage of commissioning the plant," McKinnon said.

"Before the end of the year" is the most definite date offered for beginning commercial production.

The total capacity of the plant is 2000 litres an hour, but it is nowhere near running at that level.



IOLO TALBOT . . . deliberates.

The plant is capable of running 24 hours a day, but its requirements make more than two shifts a day unlikely — so 8 million litres a year to the realistic total capacity.

The availability of staff would be one limiting factor before the plant could run at full capacity, a stage which the board has a long way to reach, and no decisions have been made on annual output.

Virtually all the white milk produced will be for export, with a small percentage going into shops' stores and the like.

Initially, all the flavoured milk produced will be "test-marketed" in the Auckland area. The next stage of the marketing plan is to launch UHT flavoured milk throughout the Pacific — but the board "has a lot of learning to do first".

The board assessed the potential market on the basis of existing sales of UHT products in South East Asia, and some Australian UHT milk in the Pacific region.

The decision to get the plant was made two years back, but was based on projections over the last three or four years.

One consideration is the incidence of milk recombining plants in the marketing area. In some cases, the board already supplies bulk milk to recombining plants, and the possibility of a conflict between the two products has to be weighed up.

A Dairy Board representative in the Pacific "fine-tuning" the market — but it is considered impossible to do in-depth consumer research on a statistical basis in the Pacific.

Tha size of the island market is a guess at this stage, depending on the acceptance of the new product.

Hong Kong and Singapore are potential markets — but compared with recombined milk, the New Zealand product

with its high water content and large freight costs is not considered a viable proposition.

McKinnon said he could not give a figure for the quantity of flavoured milk which the board expects to put on the local market.

Terry Goffin, the Milk Board's marketing manager, gives a daily consumption figure based on sales May to July in 1979 of 266,250 litres, for the whole of the Auckland metropolitan area, from Helensville to south of Pukekohe.

With the Dairy Board's plant operating at a maximum daily output of 32,000 litres a day, their product, even if the entire output were flavoured UHT for the home market, is only a small percentage of the current level of Auckland milk sales.

Countering the fears expressed in certain quarters that the board has manoeuvred itself into a strong position to take over the New Zealand market for flavoured milk, McKinnon claims that "the board lacks experience in the skills of consumer marketing — and it's best to learn new skills in the home market."

McKinnon says his division has already acquired a large number of new skills which it couldn't have learnt without the opportunity to study the local situation.

Getting the product right and designing it for the market are also headaches.

Flavoured milk has a different fat percentage from plain, and the flavouring substances added to the milk react differently when subjected to the high temperatures of the UHT process.

Depending on what the board learns from its trials with flavoured milk, it plans to market a range throughout the Pacific, ascending in a scale of complexity from plain to flavoured milk to controlled fat creams, whipping creams and other dairy products.

A comparison of the size of the Auckland milk market and the Dairy Board's UHT output, suggests McKinnon, counters the UEB suggestion that UHT will be a serious threat to a fresh cartoned product.

But the other side could argue that the comparison is a red herring in view of overseas experience that "fun" milk takes a slice out of soft drink sales, not those of white milk — in Victoria, the introduction of flavoured milk in cartons cut 25 per cent off the soft drink market and generated \$15 million extra in milk sales.

McKinnon would not put a price on flavoured milk, but

said it would be what the market would stand at the time the product is launched.

Nor would he give anything away about the considerable amount of market research carried out by the board in the Auckland area, both at the product and consumer level — all valuable for "practising skills and gaining experience in developing products for overseas markets," McKinnon said.

"It is not the Dairy Board's intention to conflict with the Milk Board. We are both organisations in the same industry. They are responsible for the distribution and marketing of plain milk, in which we have no intention of getting involved," McKinnon said.

The questions on the future of flavoured milk remain

unanswered, and will remain so until the Government committee, followed by Trade and Industry, give its decision on fresh cartoned milk, plain, flavoured or both.

The committee has it also within its brief to make recommendations about UHT on the domestic market.

The Dairy Board's real intentions on the home market must be taken at face value until the new product is launched. Meantime the issues continue to wonder whether the Auckland UHT milk venture will be a genuine trial run, or a fortuitous long start in a future race with the Milk Board for a very lucrative market.

UCKLAND TALK: not a test-market but "a major onslaught". — Page 7.

Inside:

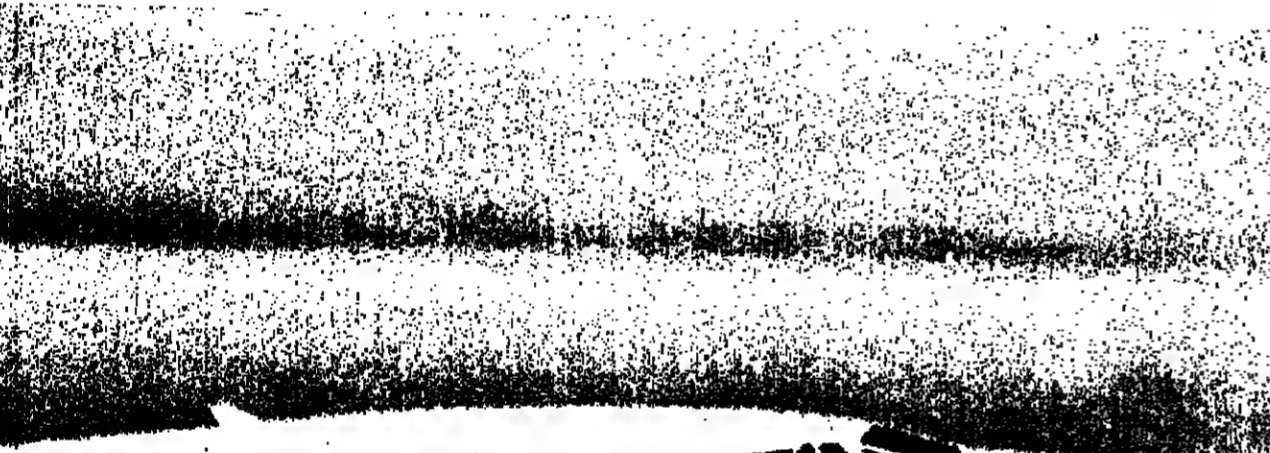
WE now appear to have an incomes policy which is determined at the whim of the Prime Minister. Colin James — Page 2.

CONFLICT of interest is an ever-present consideration for a person involved in many different companies as Lyn Papps is. Mary Varnham talks to the man at the helm of some of the country's largest companies — Page 9.

A LAST minute programme of labour reforms restoring wage bargaining and limited trade union rights has saved title from the threat of an international trade blockade. John Draper reports from Santiago — Page 11.

IT SEEMS like every time a traveller gets on a domestic flight the fore goes up. Yet the so-called private company is hardly frank with its shareholders, the taxpayers. — Page 21.

A nose for business



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PM tries out a new brand of incomes policy

by Colin James

WE now seem to have an incomes policy. That is not surprising. Whenever western economies have gone off the rails in recent years, governments have resorted to wages.

The avenue of political reputations is marked with the tyre-tracks of U-turns by well-meaning non-interferers.

Perhaps the best example in New Zealand was the 1972-75 Labour Government's conversion in 1973. It took the liberators of 1972 only eight months to realise that freedom is no guarantor of order.

So Peter Gordon's painfully achieved "free wage bargaining" had to be ended. The economy cannot stand it, in the opinion of the would-be philosopher kings who tell us from their luxury suites in the Beehive what we can and cannot do.

The ending has come piecemeal and there are still many ragged edges and loopholes. But a pattern is emerging.

The principal element in the pattern is that the Prime Minister will set the limit on wage movements.

He does not do this by any act of published criteria, set out in a formal document so that people know where they are.

That was the normal way of doing things in the early and mid-1970s.

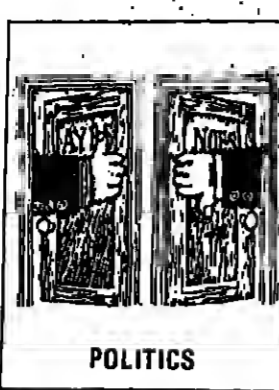
He seems instead to be free of any restraints, save the political one of persuading his Cabinet colleagues (a point to which I shall return later).

But there is now a guideline. No award base rate may move by more than 9.5 per cent.

(Perhaps that should be modified, to exclude minor awards that do not have any material influence on others. But for practical purposes, we can ignore those.)

The choice of 9.5 per cent may seem arbitrary. But it does have some basis.

It is what the Employers' Federation calculated to be the size of the tradesman's ratchet this year.



POLITICS

It formed the basis of the Electrical Supply Authorities' first offer to electrical workers last week.

And, surprise, surprise, it was also the Employers' Federation's sticking point in the drivers' award negotiations.

It takes, therefore, little imagination to divine where the Prime Minister probably got his figure from.

The Employers' Federation keeps very closely in touch with the Government. At times

this year, it has seemed almost like an unofficial adviser.

Now, let us postulate some factors.

One: the drivers' award is regarded as a trendsetter. In the tight, mutually jealous circle of union leaders, settling for a smaller movement in the basic award rate than the drivers obtained would mean an unacceptable loss of face.

Two: the drivers are recognised as being among the lower-paid workers. Drivers can earn high wages, but by working overtime — a dangerous concept in an industry where a tired worker can be lethal to others.

Three: the Prime Minister says he is sympathetic to the lower-paid and his taxation approach gives some credence to his protestations. He has even agreed that there should be some sort of "minimum standard of living".

In the drivers' case, this concern is complicated by an obsession with the Socialist Unity Party (SUP), two

members of which, Bill Andersen and Ken Douglas, are key leaders of drivers unions. Apparently oblivious to the more insidious effect of the neo-marxists in other unions, the Prime Minister seems to see each display of militancy by drivers as an attempt to undermine the state.

Whatever the reason, he took a keen interest in progress in the drivers' award talks.

He was well informed of the "agreement to agree" reached in the first week of September (one must presume, from the employers' side).

Over the intervening weekend, his officials were pitched into a flurry of activity, in the end of which he issued his "cut it back or be clobbered" ultimatum.

While this was going on there was a deafening silence from the (assistant) Minister of Labour, Jim Bolger.

But, come the dawning of the new week, Bolger got into the act. He let it be known privately that the Government would not disagree with some reshaped agreement which still gave the drivers what they wanted, but kept the movement in the basic award rate to 9.5 per cent or thereabouts.

I am told he even went along with an employers' suggestion of 10 per cent in the basic rate and a shorter award, which would have broken his own Government's commitment to the 12-months rule for awards.

We might therefore take it that the Government was not overly concerned with what the drivers were in fact paid, provided the basic rate movement was not high enough to push up the rates of higher-paid engineers, electrical workers and the like.

Whether it was also concerned that cutting back drivers' wages would precipitate a full-scale confrontation with the union movement which the Government could lose, I do not know.

Probably, the Government concluded that a full-scale general strike was unlikely and that it was safe to proceed. After all, in the old days when Sir Tunn Skinner ruled the roost, it was an unwritten rule that the union movement did not fight the Government — and Jim Knux is a Skinner disciple in such matters.

And the Prime Minister, with his efficient unofficial intelligence service, would almost certainly be aware of the restraining role played by the SUP at the special FOL conference after the removal of the general wage order system.

The immediate reaction to the Government's cut was one of impending "protest stoppages" rather than a general strike. While such stoppages, properly co-ordinated by the trades councils (the FOL's district bodies) could hurt, they could be lived with.

There were other possible ways out for the drivers. One would have been to take the wages to the Arbitration Court, the employers asking for the agreed rate and the union for fractionally more. The court would have been bound to agree to the employers' rate and under its own legislation the Government

could not have interfered. But, given the public role of the Employers' Federation, director Jim Rowe to be sitting too high, this would have been hazardous.

Another would have been to agree to shift the offending 9.5 per cent of the basic rate to overtime allowances.

The third was the immediate reaction — to let individual employers pay agreed rates through union agreements. There was no argument against paying more than award rates.

Such tactics would have been taken on one more step from the state-aided conciliation and arbitration system (in which arbitration is the acknowledged way of settling unresolvable differences and strikes are therefore not conceptually compatible with free wage bargaining) to a state-enforced contract system in which strikes are the normal way of settling differences.

At the time of writing the situation was still fluid.

But the important point remains: that we seem to have an incomes policy.

This has interesting implications for the right wing: the party which aims to end state interference.

The right wing has a string of victories this year: the kibosh on the Post Office's commitment to the 12-months rule for awards, the freeing up of import licenses and so on.

It has established a line which the Prime Minister, a interventionist if ever there was one, has tried to renege. He has even to sound as if he likes it — a old one-man band joining someone else's ensemble.

But logically, the right should also be opposed to interference in wage bargaining. Certainly, the Tory right in Britain has consistently opposed state-imposed income policies, preferring market weapons to achieve the same ends. This was a major factor in opting for Margaret Thatcher against the policy hocker Edward Heath.

So why did the Prime Minister's colleagues apparently go along with him easily?

The answer probably lies in another instinct of the right: that failure to curb inflation was a major factor in the party's near-defeat last November.

This allows the new incursion into incomes policy to be seen, at least partly, as a crusade against inflation. Witness the Prime Minister's own emphasis on the drivers' "standstill" tactics. He sounded as if he would have been agreed to it without a fight.

But there was a fight and it was led by, among others, the Russian-aligned communists of the FOL. And so the Prime Minister seems have decided to take a test out of the Russian book — and be his own man-hand wage-fixer.

Well, maybe, it is one way of the withering away of the state.

After Maui decision: which Investors catch spring fever

by Peter V O'Brien

Energy Reporter

UP to 9 per cent of New Zealand's gas resources will be exported as chemical methanol in the big move by the Government to make petro-dollars.

But despite the intense lobbying by the multi-national companies, it is still far from certain whether any particular company will get to hold the purse strings.

Energy Undersecretary Barry Brill said the \$200 million scheme may well be established with participation from various sectors including the public. And he says his Government will make a decision within the next two months.

That may not be good news for BP and Petrocorp, which both aspire to the economic stewardship of Maui methanol and various related projects.

The move to develop a "world scale" methanol plant of up to 5500 tonnes per day follows the completion of the 30-page report of the Liquid Fuels Trust Board.

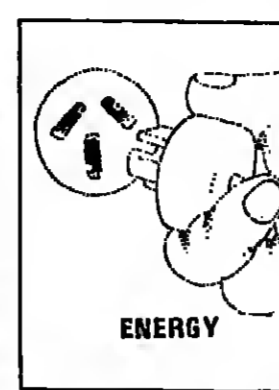
The "initial strategy" tip-toes through the adoption of specific schemes which should be recommended for the major step into the production of synthetic fuels, by colling for more time. But there are firmer opinions on export methanol and it sees \$63 million each year in market potential.

The Government should approve methanol production up to the level which will achieve the maximum economies of scale, that is up to 2500 tonnes per day; one-half of the production should be allocated to the export market to generate income in the short to medium term.

The second half of the production should be allocated in the medium to longer term in fuel in New Zealand... it may be necessary to initially export a part of this second block of methanol on a short term contract basis.

The board believes that export markets could be located for the whole 2500 tonnes-day of production should none of the local uses eventuate.

It took only 13 days for the Government to accept the LFTB's methanol recom-



ENERGY

mendations. But it may take many more for it to play the company proposals off against each other.

Apart from the structure of ownership, there is the question of the gas price, and unknelling to huddle over.

Then there is the matter of finance... clearly overseas bankers will have to be involved if the plant size pushes costs in the guestimated \$200 million.

Yet most agree the Government appears to be minding its own business and has picked off the Liquid Fuels Trust Board to come up with something which will incorporate methanol as a petrol extender with compatibility with the car of the future.

There has naturally been a branding silence from the multi-nationals, who have been hammering the news media for months with their schemes.

The planners have "cocked a snook" at Shell's \$300 million scheme for the export of Maui gas as liquefied natural gas. They have left Mobil and Petrocorp in the wings with no clear idea of the directions that are being contemplated for synthetic gasoline and diesel.

BP is given only the satisfaction of knowing that their lobby has been successful in official concurrence with one part of their scheme.

In short, the Government has earmarked natural gas for both methanol and synthetic fuels, but has not weakened its bargaining position by laying all the cards on the table.

It is now looking for a deal. If the companies want to participate, they must front up with the money, the market and systems guarantees, and be prepared to accept the

Government and/or the public as partners.

And the companies are taking it all very seriously. Shell's managing director David Tudhope is currently in London... and there are no prizes for guessing what he is talking about.

BP recently organised one of its rare briefing sessions for selected journalists.

Petrocorp is understood to have signed a secrecy agreement with the South Africans, so that it can get the oil on the SASOL process, which turns coal into liquid fuels and a host of petrochemicals.

In the meantime the gas which is not being utilised by the Crown, under the terms of the Maui "take or pay agreement", is costing about \$18 million a month. And the environmental lobby is cranking-up the old campaign against the export of non-renewable resources.

SPRING has brought the investment markets and the financial entrepreneurs into bloom.

Activity in takeovers, partial takeovers, share accumulation, new issues and the other ways of making \$2 grow where \$1 grew before stepped up last week.

Finance company hualness is preparing for change with the proposed takeover of General Finance by Transvision Holdings for \$1.75 cash per share, and substantial trading in Broadlands Dominion Group.

The principals in these exercises declined to reveal details of their manoeuvres by the time NBR went to press, but some big guns are involved.

Transvision admitted it "was reasonable to assume" the use of overseas money in the General Finance bid. A nice piece of understatement there, because it is impossible to raise the necessary \$19 million or so in New Zealand, but there is an indirect link be-

although the funds could be advanced through another local organisation with overseas links.

Accumulation of Broadlands shares was claimed at one stage as the work of an individual investor seeking about 10 per cent of the Auckland finance company.

The 10 per cent figure was not reached by Friday, after 130,000 shares were added to the 1,671,000 reported as sold on Thursday.

The latter figure included the transfer of shares previously held by H W Smith, now under the guidance of ex-Brierley Investments man, Bruce Judge, and those of Broadlands' former major shareholder, the Commercial Union Assurance Co of New Zealand.

An attempt to gain a larger holding will take time, because small holdings dominate the Broadlands register.

A takeover offer for Allied Press from Mount Cook group surprised the market, but there is an indirect link be-

tween the two. Mount Cook's General Manager, P S Phillips, is a former Allied Press executive, and would have close knowledge of the publishing company's real worth.

The Fisher and Paykel finely pitched share offer was released while the other activity was going on, adding to increasing interest in matters financial.

And those stalwarts of the shareholders' interests and upholders of fair play, Lion Breweries, apparently caused a ripple in the boardroom of Ballins Industries with their intention to lift a 14 per cent shareholding in Ballins to around 20 per cent.

Ballins chairman B J Wilks was reported as saying this was contrary to his directors' wishes, while Lion said it was a reorganisation of investments.

A reorganisation it might be, but one wonders about the reaction in the reverse situation, given the Lion's speed in forming a certain Androcles Corporation.

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Apple growers get pip with monopoly market

Heleen Vause

OUT in West Auckland's orchard district the men and women best versed in the business of growing apples are rapidly learning a new skill - the art of battling bureaucracy.

In a bitter struggle to break free from the controls of the Apple and Pear Board marketing monopoly the normally peaceful rural scene is broken with the clatter of typewriters churning out newsletters and submissions, the sound of angry voices reiterating the principles of free enterprise at almost daily meetings.

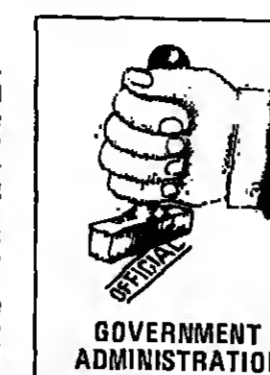
The newly formed Association of Independent Fruitmarketers is fighting for the right to compete with the Apple and Pear Board's monopoly of supply to the local market.

The 70-strong association wants the right to supply fruit directly to local retailers and the fruit markets.

Last week it launched a petition calling for this freedom and hope to collect at least 20,000 signatures before presenting it to Parliament next year.

The battle has been brewing for years (see NBR January 31), but with the formation of this group all interested parties have been forced to step up their pitch.

Under the regulations of the Apple and Pear Act, 1971, all growers must sell apples



destined for resale to the board only.

Growers can sell a maximum of two cases at the gate and they can deliver pre-ordered fruit direct to consumers within 65 kilometres of the orchard.

In theory therefore, the Apple and Pear Board controls the marketing pattern and price of all apples for resale from tree to fruit shop nationwide.

In practice though, only around 20 per cent of Auckland's crop has been going through the board.

Auckland growers are only a few kilometres from the biggest consumer market, the bulk of apples are bought either fresh from the gate or from a retailer via the thriving black market.

Broadly speaking, support for the board's marketing monopoly comes from the growing areas furthest from the large consumer markets.

Nevertheless large quantities of apples are smuggled out of Hawke's Bay to Auckland and Rotorua-Taupo markets to cut out the board.

Last season the board attempted to curtail black marketing and gate sales. By offering higher prices to growers and lower prices to retailers it hoped to take the profit out of black marketing and to give the retail fruiterers a more competitive price situation.

To do this, the board was willing to take a loss. And it could well afford to as it had made a rare profit from the previous year's export sales.

But the move angered growers. They felt the profit should have been seen as growers' money - and not used to support the board to fight growers - especially since the board now wants to charge growers a levy on their apples.

NBRT asked the President of the NZ Retail Fruitcrackers Federation, Jim Lowe, if he would be supporting the independent marketers in their free market battle.

He said his group was committed to give the board's new pricing move a chance for a year.

That year expires very soon. Retailers were to have been able to be more competitive, able to offer apple varieties as soon as they were available at the orchard gate and to be ensured of supply.

Lowe wouldn't be drawn on how well this had worked out but in the past he has lobbied strongly for major changes in the marketing situation.

The Independent Fruitmarketers petition is their second to Parliament in a year.

The first resulted in a few kilometre extension to the distance growers can deliver pre-ordered fruit.

The second petition was launched at last week's meeting by Helensville MP Dale Jones.

He told the meeting: "There is a general move afoot to free up controls. Even if some controls are for our benefit they should at least be questioned."

"From your point of view the time is right to put your case - the call for free enterprise is now very strong", he said.

"It seems there is a place to compete against the board and surely the board has the strength to compete against a few growers in Huapai."

While the independent group wants a removal of all restrictions on sales by growers who do not supply the board with any fruit for the local market, they also want the right to supply the board with export fruit since the board is the only exporting channel.

Alternatively they would call for the right to export fruit for themselves or through an agent.

They face some stiff opposition and not the least of it from the top ranks of the Fruitgrowers' Federation.

Auckland federation director Horie Skelton said freeing the local market would be a retrograde step that would favour only some people.

He said a meeting of the federation's advisory committee on Monday endorsed "the controlled and orderly marketing system we have".

While that may be the official voice of the Fruitgrowers' Federation not all members see eye to eye on the marketing situation.

The independent group has been accused of being pre-occupied with self interest.

In a newsletter, group spokesman Brian Connolly

says the group wants to "provide an outlet and incentive for the traditional initiative and enterprise of growers who are willing and able to go out into the hurly-burly of the marketplace yet still respect the rights of those growers who prefer the protection of a statutory body."

He also claims the support of consumers following the results of a Heylen Poll conducted in July.

The poll shows that 77 per cent would prefer to buy from an orchard and only one per cent from places other than the orchard.

The poll concludes that "the main advantages of buying from an orchard are cheaper, fresher, longer lasting apples or pears offset by the disadvantages of having to travel to the orchard to make the purchase".

The main advantages of buying from retail outlets are convenience and minimal travelling, offset by the disadvantages of expense and lack of freshness.

"The general conclusion is that consumer satisfaction would be best served if we could supply fresh fruit direct to local auctions and retailers."

Connolly said: "Surely this clearly shows that the consumer would be best served if we could supply fresh fruit direct to local auctions and retailers."

The Apple and Pear Board however, is confident the situation has improved according to its publication Apple and Pear. They give figures to show an increase of 33.9 per cent this season on the 1978 season.

Board sales manager Ken McGillen wrote: "Consumer response to low pricing of early and mid-season varieties, together with early release of main stream varieties is reflected in the very significant improvement in distribution - consumers have shown immediate reaction to our new strategy."

"There is no doubt that the minority grower group causing the problems have received a severe jolt."

"That in itself should provide you with some satisfaction and hopefully bring you to the conclusion that a controlled local market can work in the interests of all parties. Have no doubts, we are determined to prove that it will work."

And in the same June publication the board's general manager Jim Bremner admits that the "small group of rebel Auckland growers" have at least shaken the monopoly.

"The activities of these rebel growers have made us determined to become more efficient and innovative in our local marketing efforts and we are totally confident that over the next few seasons the legitimate and progressive fruit seller will have little difficulty in competing with those growers who choose to sell their fruit at the gate and by mail order," Bremner wrote.

For sale: 1800 houses with buyers

by Cathy Strong

THE Electricity Department will be putting \$25,000,000 worth of houses on the market... but unlike other's currently in the realty business, they expect to have ready buyers for all 1800 houses.

Starting in April, electricity workers will have the chance to buy the houses they now are required to live in and pay rent on.

The house purchase scheme has been the centre of a dispute by NZED employees for more than four years, but now it has agreement by the Public Service Association and the State Services Commission.

Only the fine details need to be worked out and it will be official.

The NZED's houses were valued at \$25,443,662 two years ago. But as many of them are in remote areas with no real market value, it has been difficult to put out a scheme.

Employees wanted a chance to buy their houses and thereby develop capital equity for their old age.

Under the scheme, about 490 houses in metropolitan areas will be sold outright.

The employees living in the houses have first option to buy them - up to 12 months from implementation date.

The division apparently planned to get rid of those anyway, as employees can easily supply their own houses in the cities.

About 500 houses in rural or small-town areas will be sold, but later, if the employee-cum-houseowner finds he can't find someone to buy the house, the Crown promises to repurchase it.

The other 1000 houses are in remote areas, where a real market is hard to assess. (The only people who live there are those who are required to by their job.)

On these, the Crown promises to repurchase the houses, and also, the owner promises to give the Crown first option on repurchase.

A more difficult group is those houses that are attached or wired to an electricity substation.

These will get a nominal value and the employee can "buy" the house, but it must be "resold" to the division.

The valuation is a concocted one, but it gives the employee the chance to make improvements, ride inflation, and make the same amount of

equity that his brother in town is able to do.

In addition to the houses' availability, the division is making sure mortgage money is available.

Housing Corporation terms will be the normal amount - 20 per cent deposit, prime rate 5 per cent, a 30 year repayment period.

But electricity workers will be entitled to a special suspensory loan to make up the 20 per cent deposit, up to \$3000.

After the first 12 months only 15 per cent will be available, but it is to be written off after 10 years if the buyer remains with the NZED and continues to occupy the house.

It is interest free, unless the buyer sells the house or leaves the NZED.

This special suspensory loan

is transferable if the employee shifts locations and remains employed by the NZED.

The electricity workers agitated for four years for this scheme, and took it up every time rents went up on their departmental houses.

There are still some snags, such as working out the details for areas like Twizel, where the houses haven't been built yet.

Also, the PSA is to promise to confine the agreement to the electricity workers, but forestry workers are in a similar position of being required to live in departmental houses all their career lives. They undoubtedly will want a similar package.

...But electricity workers are the only ones who held yearly strikes or strike-threats on the issue.

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See page 10

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Auditor does his job

I REFER to your item headed "Auditors tone down attack" (NBR, August 15) wherein your reporter presents a picture of the Audit Office taking measures to, and I quote, "smooth over ruffled feelings" in the data processing division of the Health Department.

Although a layman in my understanding of the function of the Auditor General and his department it would seem to me that it should be of absolute no consequence to the Audit Office that they should have ruffled the feelings of any spender of public money. In my naïveté, I had laboured under the impression that this was the precise function of this Audit Office.

That this particular data processing system was bought in the first place was a signal triumph for American computer salesmen and showed up an intolerable defect in fiscal control that \$28,000,000 of public expenditure could be committed, by a Minister outside Vote Health.

It has been said that this particular computer could easily encompass the tasks it is expected to do in New Zealand for a population equal to that of the British Isles. No wonder hospital boards are jibbing at being asked to replace existing efficient low cost systems to be engulfed by this monster.

Garth Powell
Auckland

Non-smokers win deal

Re: Your article August 22, 1979.

Quote: There's a spot of two timing foot in this happy relationship between smoking and life assurance.

The following advertisement makes Metropolitan Life's position quite clear.

The telegram was intended to be cryptic as we considered that your reporter was likely to distort the facts and make mischief. It was clearly sent from Brown, Woolley & Graham by Messrs Brown and Woolley and should have been signed accordingly. My apologies for such oversight. I wonder whether you

deliberately recorded the 0.12 per cent Metropolitan Life shareholding in company shares to total assets to be mistaken for 12 per cent.

Maybe you would like to record that I have smoked for over 50 years; that I shall continue to do so; that I am the only director of Metropolitan Life who is currently smoking; that Metropolitan Life specialises in offering protection to all; that when offshore racing, I have determined that out of five non-smokers, the only five members who were not seasick were the five smokers. If I can be of further help in your research, please say so.

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Metropolitan Life Thinking ahead



Alternatives: pros and cons

I WISH to make three comments, each ignored in earlier articles and again in NBR August 1.

Milk Packaging, page 5: could it please be explained why we the consumers are not to be offered the freedom of choice between both glass and paper containers, or are we to assume that unless one is monopolistic it is not 'economic'? Incidentally, bottles do not weigh more than their contents, a standard bottle weighs 1 kilogram and contains 800 grams of milk.

Liquid Fuels, page 7: yet another article on the complications, pros and cons and tricks of the 'alternatives' but never a debate of methods by which we, as a nation, should prepare to make do with less.

Wage Rates, page 9: throughout all the media comparison is made between gross wage increases and CPI

increases, which are met by net wages. I have a decade of personal recollections as a skilled employee and theoretical recollections of a 'typical' carpenter and both show an inexorable drop, in real terms, of take-home pay.

Bernard H Merwood
Maitland

PAYE cuts mean jobs?

OFFICIALS of the Inland Revenue Department were recently reported to the effect that some people could not pay their taxes because they could not make ends meet, and that the office of employers' not paying PAYE becomes more noticeable during tighter economic conditions.

That is only to be expected. Arguing from first principles one can predict that a tax on all wages will lead to both unemployment and a need for more taxes.

There is only one reason for going into business—to make a profit. Employers are prepared to offer \$125 a week gross and some prospective job-seekers are prepared to accept \$100 in take-home pay, but customers are not prepared to go above \$125 to give the employer a profit.

Because there is no profit to an employer in giving more employment, there is unemployment; because there is unemployment, there is a need for more taxation to pay a debt.

Patricia Sue
Nelson

Papps: workaholic sits on 28 company boards

by Mary Varnham

ACCORDING to the American best seller "Power and How to Get It", the one sure sign of success is having a corner office on a high floor.

The corner office occupied by solicitor and company director Lyn M. Papps is on the ninth floor of Wellington's Europa House. It's also large and sunny, with sweeping views of the city's business district and the harbour beyond.

While the 59 year old Papps is not widely known outside business and financial circles, within them he is considered one of the country's most successful men.

Appointed chairman of UEB on the retirement of Sir James Dalglish in August of this year, he is chairman of another 13 companies, deputy chairman of one and a director of 12 more.

The grand total of 28 companies which he has a major hand in controlling includes some of the country's biggest.

He is chairman of Odgers, Dalglish, New Zealand Motor Corporation, Zip Holdings, Bonds, director of ANZ Banking Group and New Zealand United Corporation, for a start.

Activities in which he's involved range from insurance and investment banking through engineering, industrial machinery, carpet manufacturing, cosmetics and hosiery to freight forwarding and stock and station agenting.

How, quite simply, does he cope, not only with the workload but with the demands of understanding such a multifarious range of businesses?

"My legal training probably comes in useful. As a solicitor I had to jump from one thing to the next pretty quickly. I've never had any trouble doing that."

A self-confessed workaholic, Papps, known to his many



PROFILE

friends and colleagues as Lyn, sometimes rises as early as four in the morning to start work. It's often the only time he has to make a dent in the attack of company reports, memos, backgrounders and other papers which daily flood his desk. His work days are filled with meetings, phone calls, letters.

Each letter has to be politely answered. For shareholders, and often for the public, a company's board of directors is the conduit between them and the company's affairs. A good chairman must be conversant with what's going on, be prepared to explain and, if need be, defend it.

Papps stresses, however, that he's careful about making public statements.

"I like to consult with the chief executive of the company first. He's got a more detailed knowledge than I can have as an outside chairman. He spends his whole time with one company. I spend mine with more than 20 different companies."

While Papps makes statements if the question is "purely policy", he feels those of a technical or managerial nature are more appropriately dealt with by the chief executive.

Papps was born in Auckland, the son of a school teacher. He attended New Plymouth Boys High and later entered Vic-

toria University law school. His goal — a career in the colonial service. His studies were interrupted by World War II and he served with the New Zealand Army in the Pacific arena.

Four years in the tropics were enough to convince him that colonial service was not for him. He returned to Victoria, completed his law degree and, in 1946, joined the prestigious Wellington law firm of Bell Gully and Co.

He has been there ever since and has the distinction of being the firm's second longest serving member. But, while a senior partner, he has not practised law for many years. In 1961, having developed a keen interest in business, he started moving into the realm of full-time company directorship. It's a decision he's never regretted.

"The best thing about it is that I'm self-employed, my own master. In 28 years, I've never worked for anybody."

Papps has seen a lot of changes in those 28 years. Boards of directors have, he says, become much more efficient — and effective. The old days of members of the family, old boys network, everything done at the Wellington Club, have almost disappeared.

"We get down to business more. We get far more monthly financial and other information. Ten years ago it was pretty sloppy. Today we describe what information we want and we get it. We can make more informed decisions."

While computer science and advances in information retrieval systems have had a lot to do with it, the stimulus has been an increasingly tough financial marketplace.

"Most public companies today realise the need to have good people on their boards. The shareholder and the financial world look at the composition of the board to decide whether it's a good



LYN PAPPAS...three decades of enthusiasm

company to buy shares in, or lend money to."

Bonds in New Zealand have traditionally been of the older statesman variety. Does Papps see changes here too? A wider age spread?

"Boards are getting younger. We seek to get chops in their 40s and 50s."

"But," he adds, "experience is important."

"You take a gamble getting a young fellow on a board. He needs to have been successful in his profession or business. You find out as much as you can about him but you still can't be sure he's going to fit in. Board members can argue as much as they like as long as they get on together."

Papps' ideal board would, he says after some deliberation, consist of one or two men in their 40s, three or four in their 50s and three in their 60s.

A question about women directors, and the lack of them here, is left unanswered.

One point about which Papps is insistent, is that chairmen of companies should not outstay their usefulness.

"Ten years is plenty. After that a chairman should get off and let a new person, with new ideas, take over."

Interestingly, Papps never deals with legal matters in his capacity as a director. This would, he says, be a conflict of interest.

"I'm not on a board to give legal advice. If a legal opinion is needed, I always have the matter referred to the company solicitors."

"If I gave advice and the company solicitors said it was wrong, where would the board be?"

Conflict of interest is an ever-present consideration for a person involved in as many different companies as Papps is. While he says such situations rarely arise, when they do he is careful to declare his position and absent himself from decision making.

He's also a keen rugby and cricket goer, "but I don't get much opportunity now". Reading of non-company business is confined to aeroplanes and the only organisation he belongs to is the Institute of Directors.

"What makes it all worthwhile?"

"I'm a strong believer in private enterprise," he says. "It's an almost shy understatement from a very forthright man."

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National beats BNZ at airline card game

by Warren Berryman

BRITISH Airways has become the first airline operating in this country to sign with the local bank to accept Visa Card.

The airline signed with the National Bank after rejecting an offer from its own bankers, the Bank of New Zealand.

Now it has broken the deadlock, other airlines are likely to follow suit.

Current attitudes among the airlines suggest that the National Bank is likely to beat the BNZ to the Visa Card business.

BNZ angered airlines by demanding Visa commissions far higher than those paid overseas. Airline spokesmen claim the BNZ has adopted a "high-handed, take-it-or-leave-it, civil service attitude" in its dealings with them over Visa Cards (NBR August 22, 1979).

By contrast, these spokesmen say, the National Bank has approached them as a salesman willing to listen to their side of the story and accommodate them with a deal.

The BNZ first asked British Airways for a commission rate of 2.75 per cent. Then National Bank entered the market with its own Visa Card and offered commissions of 1.9 per cent — which the BNZ eventually matched.

The airline was then paying commission on Visa to overseas banks.

The BNZ's demands for higher commissions than those charged overseas vis-a-vis other airlines pale in the case.

As a result, airlines would accept Visa, but only if cleared through overseas banks at lower commission rates. This meant that commissions were remitted overseas rather than remain in New Zealand.

The airline had an international arrangement with Bank of America for Visa Card acceptance. It asked the BNZ if it would become Bank of America's sub agent — at Bank of America's commission rate. The BNZ refused. National accepted. National rates to be paid to National Bank are understood to be between 1 and 1.5 per cent.

National Bank now acts as a sub-agent for Bank of America Visa contract, absent in the National Bank contract, demanding that the airlines underwrite the liability of the travel agents should these travel agents accept Visa Cards.

Travel agents have resisted accepting Visa Cards, because the commissions paid to the banks would have to come out of their own pockets.

But in a deal such as that concluded by National and British Airways, the airline could instruct agents to accept Visa on their behalf and then pay the commission itself.

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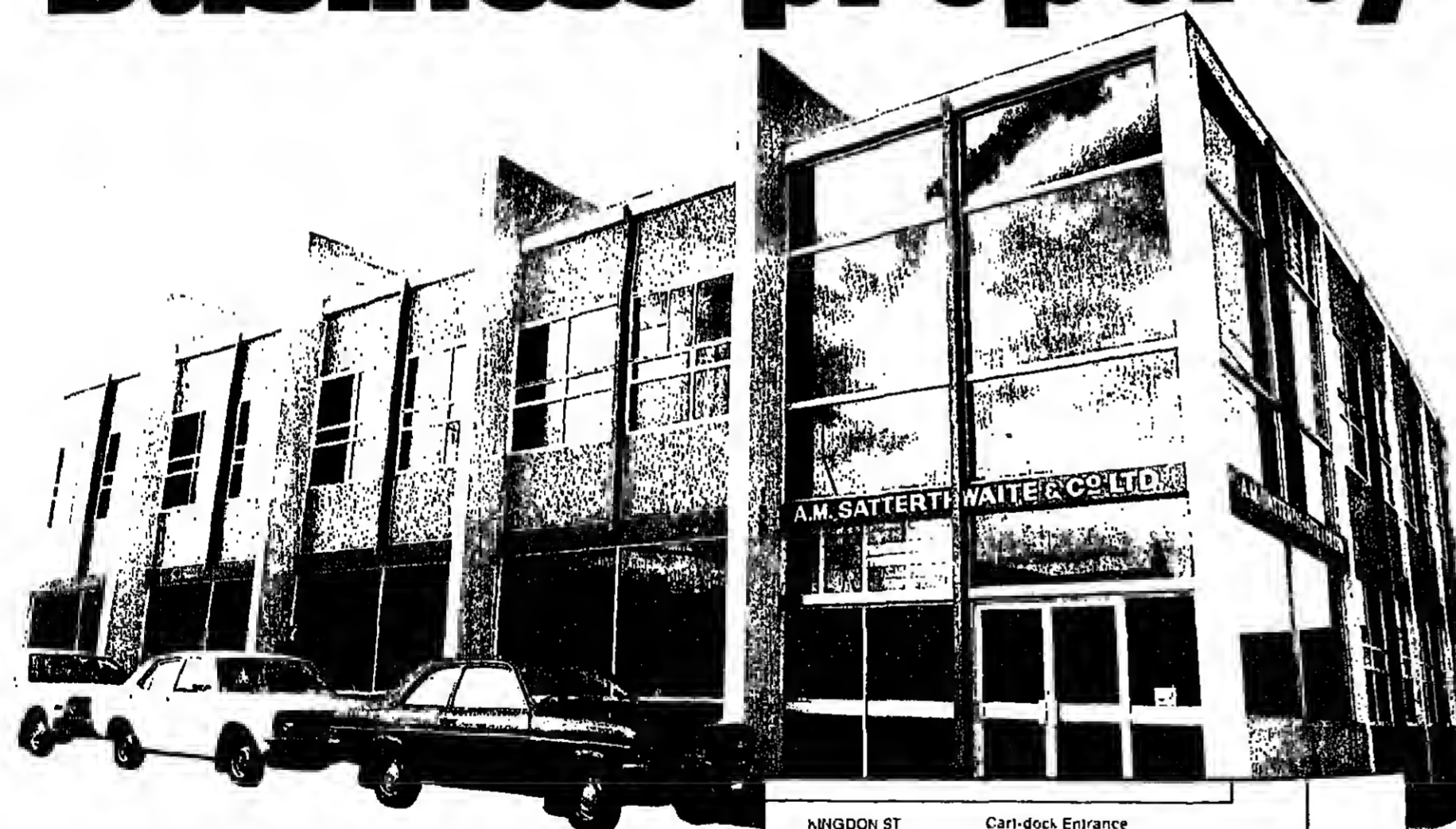
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See page 10

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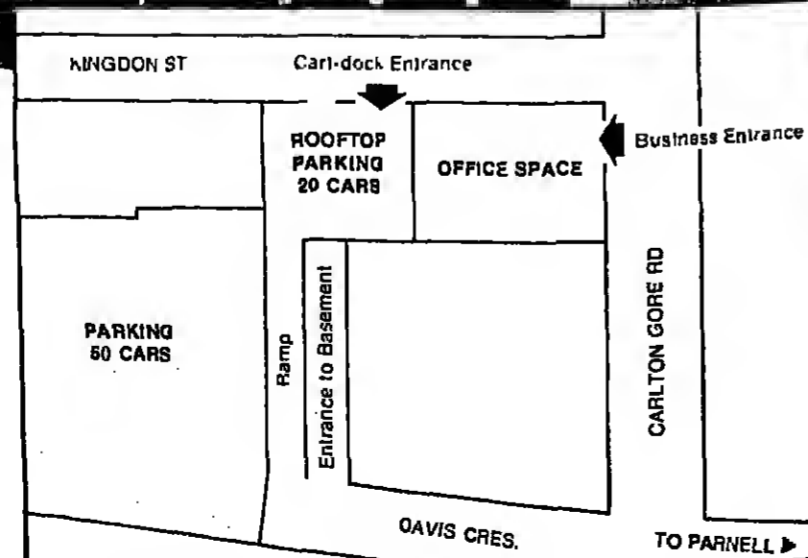
This handsome building combines 33,000 square feet of office and warehouse space with vast re-development possibilities — encompassing provision for another floor and a far-sealed area at the rear, specially structured for further expansion.

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We invite you to browse over this exciting investment, available for immediate possession. For further information contact C.J. Blewett, D.A. Davies, J.R. Satterthwaite, phone 575-620.



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Eleventh hour reform halts Chile trade ban

by John Draper in Santiago

A LAST minute programme of labour reforms restoring wage bargaining and limited trade union rights has saved Chile's ruling military junta from the threat of an international trade blockade.

Only New Zealand's Federation of Labour is persisting with its 1974 trade boycott. Though according to FOL information, various unions throughout Europe and South America are taking action — but not on a co-ordinated basis.

On September 10 the International Confederation of Free Trade Unions (ICFTU) initiated a week of industrial action in protest against the Chile regime with affiliates in Europe, Canada, central America, Australia and New Zealand among those participating.

An 18-month campaign by the American AFL-CIO labour front, backed discreetly by the United States Government and supported by ORIT, the pan American trade union organisation, has wrung the concessions from General Augusto Pinochet's military Government.

Already trade unions are pushing for big pay rises, claiming 120 per cent of the increase in the cost of living index, about 4 per cent a quarter, and the updating of allowances.

Chilean workers, in all but a few key areas, now have the right to belong to a trade union. It can be formed in any work place where 25 workers, or not less than 10 per cent of the work force, agree.

On farms and other places where there are less than 25 workers, eight must want to form a union for it to be recognised.

Multi-company unions and independent workers unions can also be recognised.

But trade union federations and confederations are expressly prohibited from taking part in wage negotiations by the new laws.

The right to strike is severely curtailed. Unions filing a wage claim must get a reply from an employer within a certain time limit or the claim must be automatically granted.

But a union can not call a strike until 30 days after the claim has been filed and negotiations failed.

If there is no settlement in a further 30 days, an employer

can engage temporary workers. At the end of 60 days the permanent work force can be dismissed and replaced.

Wage bargaining is being gradually introduced on an alphabetical system which some observers claim is leaving the difficult awards to last.

So far since bargaining began in mid-August there have been no strikes.

Once awards are settled, unions can call elections for officers for the first time since 1973, the sham elections of last year excepted.

Those elections were hastily organised by the Government at four days notice as ORIT's first deadline for reforms expired.

At a meeting in December, ORIT found the reforms unacceptable and extended the deadline for a trade blockade to June 30.

Clearly worried, the military junta sacked the right wing Labour Minister appointing Pizarro, a 30-year-old economist, who immediately promised to introduce a labour programme.

In the first week of July as ORIT's second deadline expired, Pizarro announced a six-part package outlining the Government's industrial law.

Further modifications to the law are thought to be unlikely. The Government has staked there will be no changes except for "technical details".

Not surprisingly, surviving trade union leaders are against the reforms. The "Group of Ten" are leading the opposition supported by the AFL-CIO and pressing for more concessions.

And their call prompted ORIT, when it met in Caracas in July to consider Chile, to recommend a one-week trade boycott this month.

The call is unlikely to be heeded by many unions as the meeting was without a quorum.

In New Zealand, the question of the trade ban now rests firmly with the FOL as the only member of the International Confederation of Free Trade Unions still effectively applying the ban as recommended in 1974.

Many members never did apply the ban, some regarding it as unworkable. For others it was illegal to do so.

Australia lifted its ban in 1978 and has already sold an estimated \$20 million of goods to Chile.

New Zealand exporters mounted a campaign in

February to get the ban lifted. But without success. And in July there was a hint that the Government might be prepared to soft pedal on the general wage order legislation if the FOL agreed to lift the ban.

The ban is hurting. But Chile remains untouched. A trickle of New Zealand exports, estimated by reliable sources at around \$2 million a year and growing, are finding a way around the barriers but the big opportunities are being missed.

In 1978 Chile imported 10,000 tonnes of butter from the European Economic Community. Another 10,000 tonnes were imported in the first six months of 1979. Together with 10,000 tonnes of imported cheeses New Zealand is missing a potential \$100 million plus market for dairy products alone.

Claims by the FOL that it is not alone in applying a trade ban are not borne out either by the trade figures or a walk around Santiago's shops.

Chile trades with Russia, China, Japan, the United States of America, Australia, Eastern and Western Europe among others.

Shopping in Santiago is a temptation for any New Zealander escaping from behind the import barriers.

Chile's own 10 per cent tariff on most imported goods permits the small but rapidly growing wealthy elite the choice of goods from around the world.

Cameras, radios, colour televisions and cameras from leading manufacturers, leather from Italy, perfumes and haute couture from Paris, gourmet foods from Britain and Continental Europe as well as the latest European and Japanese cars.

That the goods are only enjoyed by the elite of Santiago's plush suburbs is not disputed. It is part of the country's economic plan implemented by the "Chicago boys" versed in Milton Friedman's monetary theory.

The removal of trade barriers, incentives for investors from overseas and the pool of unemployed living in wooden shacks and huts, the barrios, around the city boundaries are also part of the plan.

Economic restructuring for those at the bottom of the heap is painful. The removal of trade barriers has sent many Chilean firms to the wall particularly in the textile industry and contributed to the 20 per cent unemployment.

But incentives for foreign investors has already brought 51 international giants to Chile in the last 18 months lured by 100 per cent profit remissions overseas.

The giants like Goodyear and Exxon from the United States — and at the other end of the scale the South American New Zealand Trading Company — are attracted to what is probably the most laissez faire economy in the world.

Sanz executive director Mike Fitzgerald is already installed in offices in Santiago and doing business. Sanz is a consortium of New Zealand companies registered earlier this year. Another branch has also been opened in Kuala Lumpur.

Fitzgerald admits that many companies invited to subscribe were not interested in doing so and it became apparent that the FOL would not lift its ban. But Chile still wants to trade with New Zealand, due in part to a happy relationship dating back to the 1960s.

New Zealanders were then responsible for establishing a

dairy industry in the Osorno region sponsored by the World Bank. And in another old project New Zealanders investigated and tested geothermal resources in Northern Chile.

In the early 1970s when aid projects were being considered by the Labour Government, Chile topped the list. Allende's overthrow caused it to be reshaped and sent to Peru.

Climatically, Chile and New Zealand have a lot in common. And in agriculture it is the New Zealand style of development the Chileans are interested in adapting.

Forestry also offers considerable scope for New Zealand expertise. Sanz will be trading generally throughout South America, buying and selling where it can, using Santiago as its base.

Fitzgerald says Chile is the easiest country in South America to work from and though others, such as Brazil, offer good opportunities for joint ventures in manufacturing, the costs of operating are much higher.

Keeping a representative in Brazil can cost \$450,000 a year. Already Sanz has one contract worth around \$8 million with its grasp and Fitzgerald says there is no shortage of opportunities.

Politically, there is unlikely to be any foreseeable change in Chile. Pinochet is rapidly taking on the appearance of a Franco though some political manoeuvrings point to a certain amount of control being exercised by an 18-man council of generals.

Several civilians are in the Government including 30-year-old George Pizarro, a Labour Minister who is responsible for the recent reforms.

A new constitution is being worked out for presentation to the people in a referendum originally scheduled for later this year. It now seems unlikely to be before 1980.

The labour plan was originally meant to be part of the constitution to be put before the people but it has already been implemented.

Pinochet, when he took over, made it plain that he expected the military to stay in control for at least 25 years to give Chile a new direction.

And it seems he intends to become the "elected" President next year.

The new constitution will give the junta powers to appoint a Parliament, which will then be asked to confirm Pinochet as president.

Politically the country still seems as divided as in 1970 when Allende was able to head a coalition Government with only 35 per cent of the vote.

In a surprise move, the junta allowed the country's 28,000 students to hold elections this year. Political labels were banned but analysts, who like the students had little difficulty in determining the political sympathies of the candidates, estimate that the junta collected around 30 per cent of the vote. The Socialists and Christian Democrats each got another 30 per cent.

Internationally, the country is no longer the leper. Pinochet will be making a state visit to Japan "at a time

mutually convenient to both Governments", probably later this year.

And Britain which recalled its ambassador after the torture of Dr Sheila Cassidy by the secret police, is expected to send an ambassador back to Santiago later this year.

Chile is a country full of contradictions.

Pinochet seen ahead as the hard-faced general is said to have the stamina and manner of a Jimmy Carter, always out meeting the people and virtually electioneering.

It is, the populist daily paper in Santiago and the Government's most vociferous surviving critic in print, has been suspended for three weeks for going just too far.

But it advertises in the rival and semi-official El Mercurio and has launched a "Friends of Italy" to support the staff. That the paper will reappear seemed virtually beyond doubt.

After the atrocities and horrors of the military takeover and its harsh economic regime, observers claim life is improving even for the poorest Chileans.

A meagre unemployment payment, admittedly way below the cost of living, is paid by the State to all those that register.

Strong family ties, where one \$100 a month job is feeding many mouths, has also helped the poor get through the worst.

Observers admit that for many, the improvement is no more than the difference between "starving and being hungry". But they claim, even that is an improvement.

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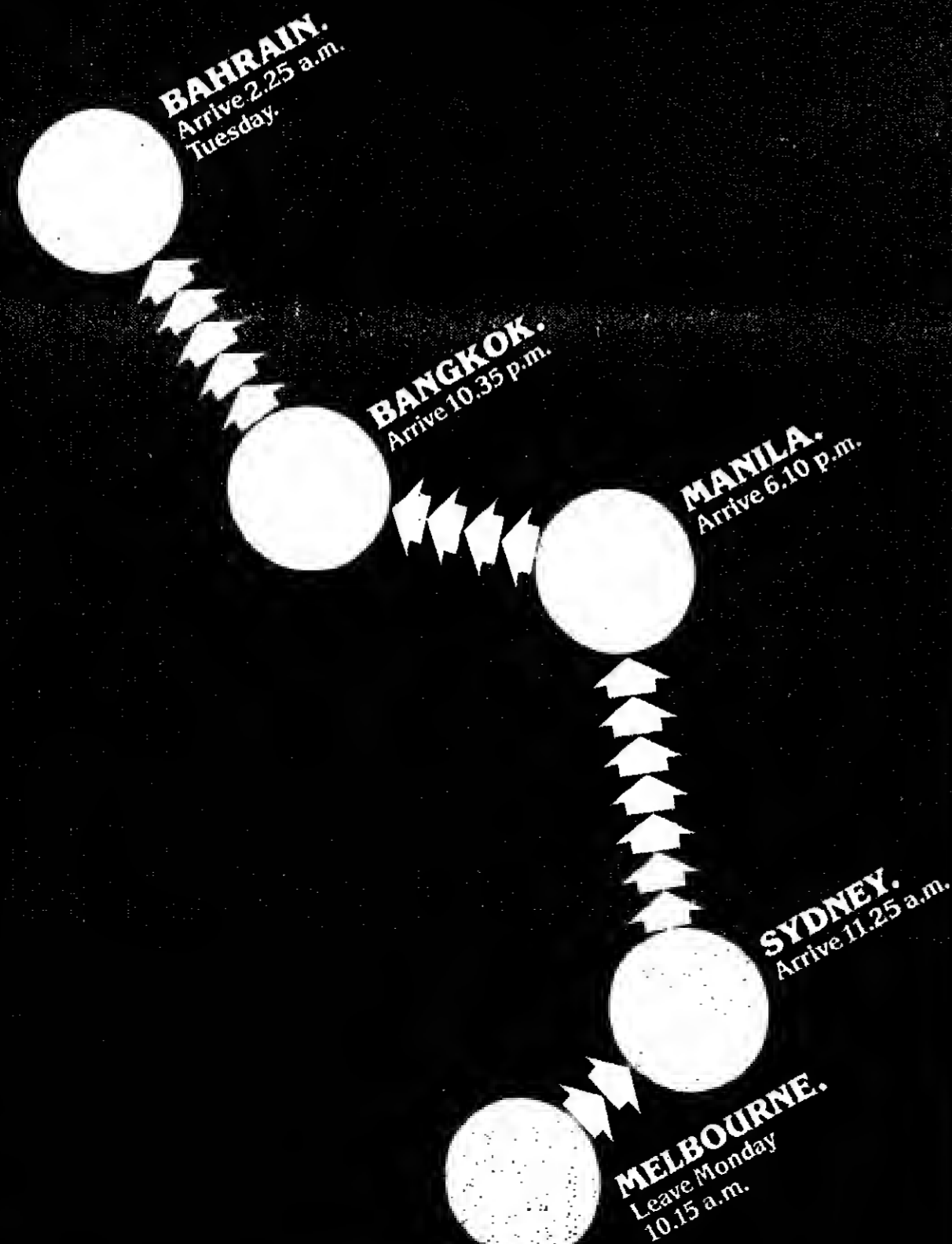
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Invention negotiators protect cancer cure

by Warren Berryman

THE Development Finance Corporation (DFC) is negotiating with a multi-billion dollar American pharmaceutical company over licence rights for that company to test and market a cancer drug developed by the Auckland division of the Cancer Society of New Zealand.

Two pharmaceutical companies, Warner-Lambert and Bristol Myers are vying for licence rights to m-AMSA, a chemo-therapy agent developed by New Zealand organic chemist Dr Bruce Cain.

A licence agreement with either company could result in: world-wide sales; bring New Zealand millions of dollars in overseas exchange; further enhance this country's reputation for pharmaceutical research; and involve Cain's team in a shared technology agreement with one of the

world's pharmaceutical giants. (see NBR September 5, 1979).

Successful negotiations would also be a milestone for the DFC's applied technology programme people who have only recently extended their activities to licensing local inventions.

Owen McShane, the DFC's negotiator and manager of the Applied Technology Programme (Northern Region), said too few New Zealand companies were aware of the advantages of licensing. Fewer still knew how to go about getting the best possible licence deal.

The main benefit from licensing, he said, was quick access to world markets using distribution systems and sales techniques beyond the capability of most New Zealand companies.

Speed was of greater essence than most companies realised.



SCIENCE & TECHNOLOGY

McShane said, some just looked at the life of their patents when they should be looking at the life of their technology. Due to rapidly advancing technology a product's life could be far shorter than the patent rights protecting it.

In electronics, he said, the commercial technical life of a product could be as short as three years.

For most local firms the prospect of development and marketing from New Zealand

would not result in maximum market penetration of the invention — the product would be superseded before it got to first base.

A licence agreement with a foreign firm would bring the inventor feedback from foreign markets without the expense of establishing an overseas base.

A licence agreement also had the advantages of avoiding foreign tariffs, material supply problems, and manufacturing controls imposed by foreign governments.

In high technology areas one of the greatest benefits of licensing, McShane said, was in the area of technological exchange between licensee and licence-holder.

Many New Zealand companies were woefully ignorant of how to go about getting the best deal from a licensee, McShane said. For example, many companies did not realise they should ask for a front end fee of about 25 per cent of royalties and fees at their projected minimum

level when signing the licence agreement, he said.

These front end fees and royalties could provide the New Zealand firm with funds for both business expansion and further research, he said.

Several of the advantages of licensing are manifest in the case of the Cancer Society's anti-cancer drug, m-AMSA.

A cancer drug usually takes about six to eight years to develop to a marketable stage. Clinical testing can cost millions of dollars. After which the pharmaceutical company must publicise the drug and make it known and acceptable to the world-wide medical community.

The financial resources involved in such a venture are probably beyond the reach of any New Zealand company — much less the Cancer Society.

From a humanitarian standpoint, the sooner the testing of this drug to prove or disprove its worth the better. If these tests are successful a large pharmaceutical company can distribute it far wider

and sooner than could a New Zealand company.

Drugs often have a limited commercial life before they are superseded by something better. In this case m-AMSA could well be superseded by one of its analogues also developed by Cain.

As regards putting m-AMSA on the United States market, there are strict guarantees and regulatory procedures involved which might be handled by a large American company more easily than by a New Zealand organisation.

The royalty and fees flowing into the Cancer Society could be used to further research — though these funds, if and when they eventually — have yet to be earmarked for any specific purpose.

A licence agreement between either American pharmaceutical company and the Cancer Society would probably involve a long-term technological exchange agreement between the Americans and Cain's team of researchers.

DFC commercialises state-based technology

THE DFC's applied technology programme is about three years old.

One part of the programme's brief was to commercialise government-sourced technology through licensing.

More than 30 licences have been negotiated — more than three-quarters of these Government-sourced technology.

But now private companies are providing the licensing team with the bulk of the work, programme manager Owen McShane said. It now has 15 private firms on the books currently seeking a licensee.

The programme will act as licensing agent for private companies whether they are DFC financed or not.

For the service, the DFC charges commissions from 15 to 30 per cent of all royalties and fees received.

A 30 per cent commission on all royalties received in per-

petuity might seem a bit steep. But McShane said overseas licensing agents charged from 30 to 50 per cent.

He explained that the inventor gained the financial muscle of the DFC which might be needed to protect his invention from patent encroachment.

The DFC's commission might be split with one or more outside licensing agents in search of the right licensee.

Licence arrangements were usually made through personal contacts, McShane said.

While the DFC's licensing operations are still in an embryonic stage, it has been busy establishing technological exchange agreements with research organisations in Hong Kong and Singapore and then international agencies, as well as building up its working relationship with American pharmaceutical companies.



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Bay Sun shines out

TAURANGA'S free newspaper, the Bay Sun, became a twice-weekly paper in August as part of a development programme which has seen a rise in both circulation and pageings.

The paper now has the largest circulation, paid or free, in the Bay of Plenty region.

The Sun was launched four years ago by Tauranga printer Don Kale, of Rugby Review fame.

Kale had previously printed the Mirror a Tauranga paper which had prospered as a free weekly but quickly failed when it attempted to become a daily in 1974.

A printer rather than a publisher, Kale entered the market out of a conviction that the prosperous Tauranga region could support more than the existing daily evening paper the Bay of Plenty Times and community papers at Mount Maunganui and Te Puke.

David Basham of the Te Puke Times had the chance then to publish the Sun.

"All he wanted was to print it," Basham said.

In May 1979, Basham formed a syndicate of three to take over his own paper and the Bay Sun. Together with Rex Appleby (sales manager) and Zella Morrison (office manager) they launched Bay Sun Ltd.



DAVID BASHAM... free circulation.

The new company acquired the Te Puke Times publishing rights and in August merged in the Sun's new Tuesday edition.

The Te Puke paper, previously an eight cents paid weekly, had shown steady circulation growth, rising from an ABC audit of 1591 in 1976 to 2336 in 1978. But Basham's experience with the Times during the days of the difficulties of competing against a free circulation.

"I was getting pretty worried about the Mirror in Te Puke," he said. "It was increasingly difficult to sell advertising even though the Times rate was cheaper."

The Mirror's failure dogged the early days of the Sun. Thought of as a 'fly-by-night' paper by some, confused with the Mirror by many, and using the same printer, and even some of the old Mirror staff, the Sun had a hard time getting started.

But it is now a prosperous tabloid, averaging 28 pages on Tuesdays and 40 on Saturdays.

Sun editor Lance Moran, who was on the Mirror for 11 1/2 last six weeks, then spent time in Auckland on the Western Leader and City News, said the paper's policy was to steer clear of gutter reporting, and emphasise local stories.

Under the new ownership, the paper's resources have been increased, with new offices in Tauranga, a Te Puke branch office, an increase in editorial staff and the acquisition of modern pressmaking equipment.

Don Kale Printing Co. Ltd., which retains the printing contract, has just installed a four-unit web offset, with an additional trichromatic unit.

Circulation, currently 25,300, has been expanded so that the Sun now covers all homes between Katikati, Tauranga, and Te Puke, with special deliveries organised to every rural dwelling, hospital patients, and retail premises.

The end of the Te Puke paper was initially a shock to the local citizens, but Basham said that support there for the Sun was strong, especially in advertising sales.

The difficulties any paid community paper faces are demonstrated by the fact that the Sun now has almost twice the well-produced Times had at its death.

Basham said that future prospects for the Sun look exciting.

The Bay of Plenty, which is the country's fastest growing region after Auckland, is expected to continue this growth for the rest of the century and to be the eighth largest population grouping by 1986.

With this prosperity coming from diversified areas including intensive farming, horticulture, forestry, land transport, and shipping, Basham said he had a strong



local economy on which to base his confidence.

"We are here to stay," he said.

Agency comes into Focus

FOCUS Advertising and Marketing Limited is a new Wellington advertising agency, headed by Chris Sharp who spent the last eight years with Ogilvy & Mather. During that time he managed successfully the Adelaide and Wellington offices. Before that he worked six years with USP

Needham in Brisbane, Sydney and Melbourne offices.

Co-founder Brian Bennett is a former pharmacist and an alumnus of Brierley Investments where he was manager of City Realities and a board member of some of the Brierley group companies.

With them are Joanna Mears who worked for three years for Japan's second largest agency, Hakuhodo (the only foreigner on the 2700 staff) and Simon Carr, McCann Erickson, who is both an actor and writer.

Focus, which plans a future as a complete service agency, has secured its first account in Challenge Finance. "As financial advertising is one of the areas where we have considerable experience, we have made it one of our early goals," Sharp told Admark.

Knock copy draws fire

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We are particularly gratified when any agency selects our paper as a medium because agencies know how to reach a target market with the greatest degree of efficiency.

So we feel a little sad when an agency ad which appeared in our columns. The Ogilvy & Mather full page which appeared in NBT August 22 was headed "Confessions of an advertising agency." It set out to tell some of the company's "trade secrets" and contained some succinct, telling, and apposite advice about the structure of advertising.

It also contained what we describe as knocking copy. Examples: "95 per cent of all advertising is created ad hoc. Most products lack any consistent image from one year to another." "... most advertising is impersonal, detached, cold and dull." "... most advertising for new products fails to exploit the opportunity that genuine news provides."

"Most advertising campaigns are too complicated. By attempting too many things, they achieve nothing."

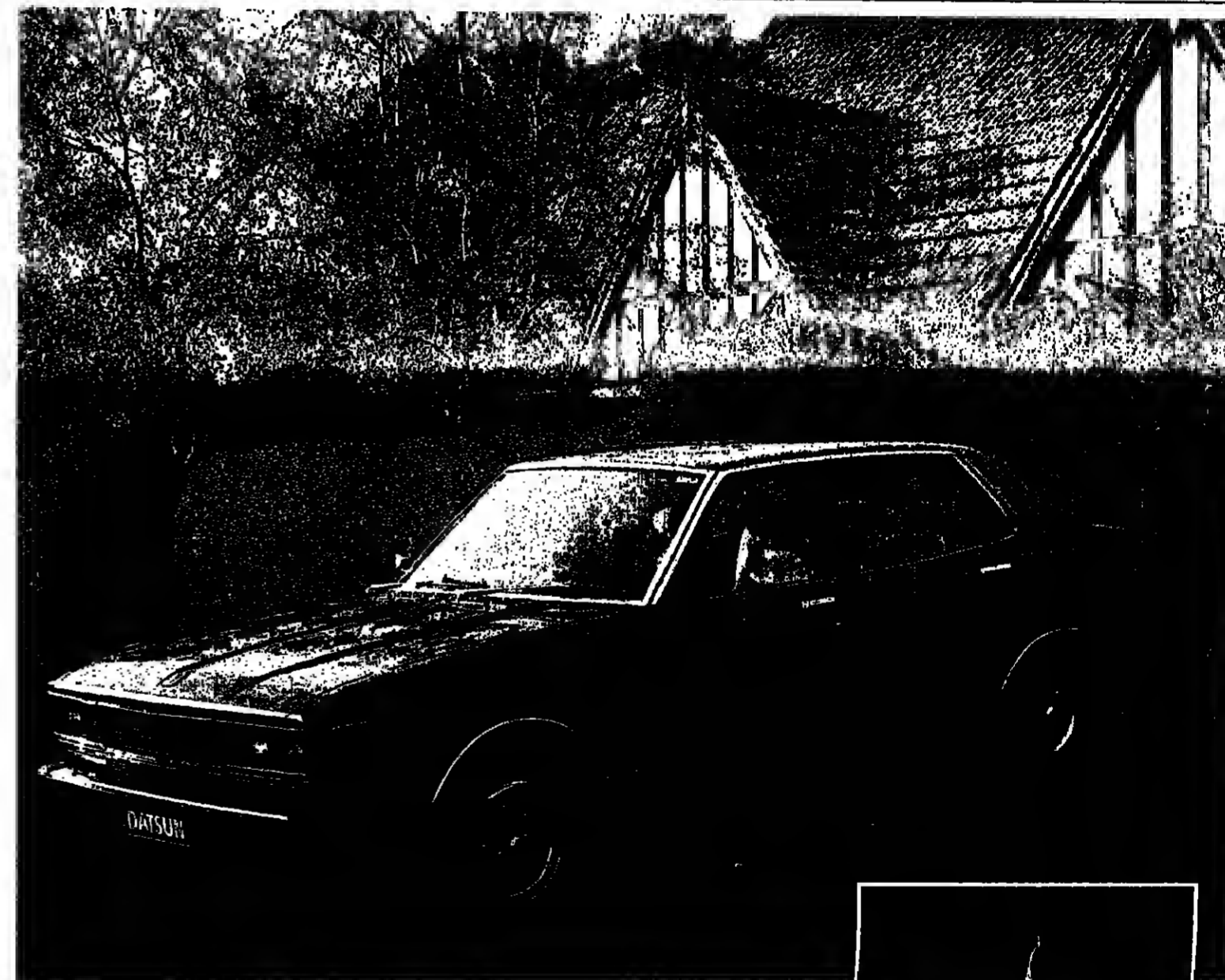
We argue that if you apply the tar-brush to "most" of the products in a category, then the whole category is blackened and your product with it. In this case, if you harm the corpus of advertising, you must suffer yourself. Knocking copy is counter-productive.

If all the generalisations quoted above are true, then most advertising is a waste of money. We willingly believe that some advertising is a waste of money just as some advertising is guilty of the O & M charges.

But, taken in toto, the statements are demonstrably wrong. They deny the competence of many advertising agencies who have proved their worth on the score of results achieved for their clients.

We believe the ad would have been more convincing if it had stayed with a strong positive note throughout.

We'd like to say to O & M's managing director, Martyn Turner, that we're certainly not anxious to bite the hand that feeds us. But this is a newspaper that deals with business affairs and we feel we have a job to do, too.



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Commission adds weight to film industry

by Belinda Gillespie

THE Film Commission has considered over 90 film projects since it began work as an interim body in 1977. About 30 of these have been helped in various ways, 40 have either been declined or lapsed, and others are under consideration.

The commission's working capital, \$500,000 a year of it, comes from lottery profits and is guaranteed until the end of 1981.

Already into its second financial year of the three year period for which the Lottery Control Board has assured

financial support, the commission has yet to hear whether the period will be extended.

But there is general confidence at the commission that the variety of films backed over the period, and the good public response, will ensure the means are found to continue.

Films are one area of the arts where the Government has modestly increased its stake in recent years. The interim Film Commission received \$100,000 for its earlier work in 1977-78, also from lottery profits. The Department of Internal Affairs, which

stands the running costs of the commission, increased its vote in the 1979 Budget to \$120,000 for 1979-80, from \$55,000 the previous year — though actual expenditure was \$82,000.

Before the Film Commission Act was passed in November 1978, the interim body under Chairman Bill Sheat had been advising the Government on the legislation, establishing guidelines for developing the film industry and trying to build private investor confidence in the new area.

Arts Minister Allan Highet said of the new law that it "provides for — a fully independent statutory authority

which will play a major role in developing the local film industry." It would encourage by financial and other means the making, promotion, distribution and exhibition of New Zealand films.

The commission has powers under the Act to support films through the chain of script development, pre-production, production and marketing. Its main criteria in considering projects are significant New Zealand content, and financial viability — so it favours projects where New Zealanders have determining roles in the main phases of film-making, and practicality of works, as well as their effectiveness on screen.

The possibility of co-productions with overseas interests is part of the commission's role, as well as looking for international distribution for the films with which it is involved.

There are seven members of the commission under Chairman Bill Sheat. He is a Lower Hutt solicitor and former chairman of the Arts Council, who has been involved in feature-film production since 1964.

Pacific Films' John O'Shea, who has himself produced and directed three feature films, is Sheat's deputy.

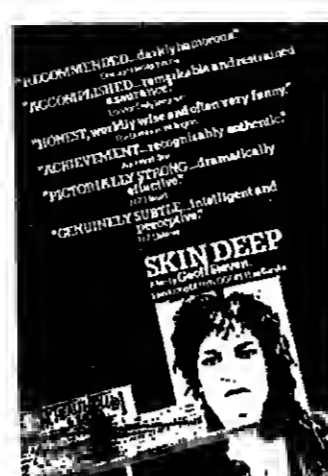
Other members are Royce Moodabe, managing director of Amalgamated Theatres, Merv Corner, a member of the New Zealand Lottery Board, David Gascoigne, and Davina Whitehouse, with the Secretary of Internal Affairs holding an ex-officio position.

There are four staff members, including director Don Blakeney and Lindsay Shelton as head of marketing and information.

Overseas marketing activities, according to Shelton, are now directed at selling New Zealand films for television, where the greatest profits lie.

Sales made at the annual MIP-TV market in Cannes this year are likely to total more than \$200,000 when all the contracts are finalised.

The figure includes contacts made by the commission, by



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'Creative disagreement' between film chiefs

by Belinda Gillespie

IF the production lives up to its promise, "Sons for the Return Home" will be the National Film Commission's latest and largest investment has everything going for it.

With a working budget of \$500,000 a year, and hoping to back up to five features each year, the Film Commission's stake in the movie is probably between \$80,000 and \$100,000.

Marketing manager Lindsay Shelton says the commission doesn't make a practice of announcing figures. If a film goes out with a price-tag on it, overseas buyers may adjust their offers accordingly.

"The loving, the fighting, the parties, the promises, the rage, the desire," says the promotional leaflet.

The film is based on a book by Albert Wendt, the love story of a Samoan youth and a European girl, now in its sixth reprint.

Wendt's themes are key issues of the times — race relations, immigration, and cultural identity.

Director Paul Maunder has high hopes for his film.

"The difficulty is to make a feature film which is both popular in New Zealand, and has overseas appeal," he said.

Films which worked here were often too thin in content for the overseas market. But the unique feature of New Zealand society was the interaction of cultures, he points out.

And with this as its focus, "Sons for the Return Home" gets away from mere parochial matters and has the potential to arouse interest on the world market, he believes.

The international locations of the film — London, Western Samoa, and New Zealand — add to its cosmopolitan flavour.

Maunder's other work includes the television drama

"Gone up North for a while", and the award-winning feature film, "Landfall".

He has a background in theatre and is known as an actors' producer capable of getting powerful performances out of his cast.

Maunder himself did all the necessary spadework for "Sons", including the screen adaptation of the book and establishing a relationship with the Western Samoan Government, whose co-operation in the film was essential.

Finance came from the Film Commission, private investors, and substantial investment "in kind" from the Western Samoan Government, Todd Molara, and other organisations.

Al Maunder's invitation, John O'Shea of Pacific Films, became producer. O'Shea is a member of the Film Commission, whose name is synonymous with the film industry in New Zealand.

Scheduled for release at Labour Weekend, "Sons for the Return Home" might not have made it for the plum October 19 opening time, if O'Shea had had his way.

He wanted it delayed until 1980 for re-editing, but the Film Commission decided to go ahead and meet his commitments with the distributors, Kerridge Odeon.

O'Shea withdrew from the film.

O'Shea preferred not to give his reasons for withdrawal.

But he said that the fact that his name and that of Pacific Films were not on the credits or any of the promotional material for it spoke for itself.

There had been more "distancing" between O'Shea and the director of the film, Paul Maunder, than was customary in such a relationship, and "at a distance one can't function as producer."

O'Shea emphasised that the film had his full backing, and mentioned its "many good qualities," which are in no way compromised by his withdrawal.

He referred also to Maunder's considerable artistic abilities and promising film work for the National Film Unit and television.

Bill Sheat, chairman of the Film Commission, withheld comment on what appeared to be a raw spot. Indeed, he insisted that NBR not record that a conversation on the subject had taken place.

The relationship between producer and director is traditionally fraught with difficulties, according to an industry source, who mentioned a "creaky disagreement" between the two.

Generally the producer is the driving force behind a film. But in this case Maunder, the director, had initiated and got the film off the ground.

Disagreements relating to the fine points of how the film

should be put together caused O'Shea to move out of what he regarded as the other man's film.

The situation was complicated by O'Shea's status as a veteran of the industry and a member of the Film Commission — though while involved in "Sons for the Return Home", he said, he stood aside from his commission role, and functioned as any other producer in relation to the film, in which he has no financial interest.

While the film-going public probably would regard the breach between producer and director of "Sons for the Return Home" as a matter of only passing interest, the matter appears to loom large among those within the industry.

Many expressed reluctance to discuss it publicly on the grounds that it might undermine the success of the film.

The increasing artistic and commercial viability of recent



LEAD ACTORS... sons for the Return Home

New Zealand feature films — such as *Sleeping Dogs*, *Skin Deep*, *State of Siege* and *Middle Age Spread* — suggests to a more objective view that films made here are hardening off from rare, protected blooms to more robust plants able to withstand the chilly winds of the market place.

With a hard act to follow after the commercial success of "Middle Age Spread", Maunder is hopeful that his film, with its greater breadth,

will do as well or better. The industry, he says, is in a trial period for feature films — those within it are working in a climate of maximum good will, "for love not money".

New Zealand films, he points out, have to stand the same technical costs as overseas productions with multi-million dollar budgets.

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Freezing workers' self-help co-operative scheme

by Colin James
UNTIL not very long ago, the Whakatu Afforestation Trust was run out of a suitcase. Now it rates a filing cabinet.

But there is nothing mickey mouse about the trust — a self-help co-operative of Hawke's Bay freezing workers.

The seven-year-old trust has assets of close to \$1 million and a yearly investment of about \$110,000.

Add to that an embellished expansion programme and you are talking about a substantial business by New Zealand standards.

Already it has been imitated by another group of freezing workers in Wairoa and others in Otago and Northland are taking up the idea.

The idea is relatively simple: buy up or lease land and plant it in trees; pay the development costs out of income from members (with help from the taxpayer); when the trees are cut divvy up the proceeds.

Translating the idea into practice among a group of people short on commercial experience has been less simple.

The idea is largely the brainchild of one man: Mike Kitchin, farmer, freezing worker, union president, resident (comfortable architect-designed house) of Hawke's Bay, now pushing middle age. Turning the idea into reality was also largely his work.

He has since helped set up the Wairoa trust and is advising the Otago and Northland ones.

Kitchin is no intellectual

prisoner of ideology. For him the project is a practical exercise in self-help, not a weapon with which to create the new society.

He did not get the idea out of books. At the time the trust was set up in 1972 he did not know of the successful Mondragon co-operatives in Spain or the worker control experiments in other parts of western Europe and Yugoslavia.

Even now, though he has filled in some of the gaps, he is, by his own estimation, not well read in the theory of co-operatives.

Rather, like the organisers of the farmer co-operatives before him, he was seeking a practical response to the problem of winter unemployment among freezing workers and the growing willingness of life insurance as an investment.

Kitchin left secondary school after an undistinguished three years. He then went as a farm trainee to Flock House, near Bulls in the central North Island.

He "did quite well there" and went farming, getting his own farm at age 25 in 1968. The late 1960s were not a good time to be farming sheep on 10 hectares in the Hawke's Bay hinterland. Wool had crashed at the end of 1966 and lamb prices were not astronomical.

He worked his way clear of debt and got out in 1971. Then he took three months holiday, during which he read some of Bill Sutch's nationalistic economic books. From them he got the idea that New Zealand should not im-



BASE CAMP... winter job for freezing workers.

port foreign ideas but find its own salvation.

"New Zealanders developing New Zealand struck a very strong chord in me," he says.

From age 17 he had been working in freezing works in the summers, even during the years when he was farming. Still with the spirit of enterprise that took him into farming, he began to look at his new predicament as a "full-time" freezing worker.

"Full-time" in a freezing works means for most, that they spend the winter months unemployed.

So he put up an idea to a union meeting that workers should get together and buy themselves a forest. The idea got a warm reception.

The next stage was a feasibility study, for which the Taupo firm of J.G. Groome Associates, was called in.

Groome had already looked at the block the trust now has on behalf of some local bodies. Kitchin himself was supported by the union for three months

while he researched the proposal.

The next need was bank support. The union's own bank, the state-owned Bank of New Zealand, laughed at the idea.

But the National Bank of New Zealand thought differently. Attracted by the idea that freezing workers were prepared to help themselves, impressed by the thorough preparatory work done by Kitchin and assessing the project as a sound commercial venture, the bank put money behind it.

Bank manager Lionel Ormandy not only backed the trust professionally, but took up a parcel of shares himself. He says the project has vindicated the bank's judgment. Apart from the normal deposit-overdraft business generated by the trust, it has brought in additional account-holders — trust members who had not felt the need for a bank account before.

Another early backer was Duncan MacIntyre, then MP for Hastings and Minister of Forests.

MacIntyre leased on the Forest Service to release land. Three blocks, all in Hawke's Bay, were considered, before a 1600-hectare scrub-covered abandoned farm off the Pukeitiri road, 60 kilometres west of Napier and close to Kitchin's old farm, was agreed on. Its name: Te Kowhai.

The trust obtained a 60-year lease. By the time the trust and lease documents were drawn up, the initial subscription of \$11,000 in \$1 shares had all gone.

But more was to come, since most trust members who joined, did so on the basis of weekly deductions of 50 cents upwards (the minimum is now \$2).

Even so, the first planting in the winter of 1973 nearly came

to a halt for lack of ready cash.

It would have, if the workers had not been trust members who decided that there was more point to getting the trees in the ground than collecting wages.

Since that planting, some 800 hectares of the 1200 hectares of plantable land have been put down in radiata pine. Planting should finish in 1981 and thinning and pruning by 1990, by which time, at current growth rates (helped by a 70-inch annual rainfall), the first trees should be within a few years of cropping and replanting.

Trees in the ground at March 31, this year, totalled \$324,000 in value, to which needs to be added this winter's planting, worth roughly \$30,000.

The trust's interest in the lease — roads, bridges and so on — comes to \$342,000, giving total forest assets of about \$696,000 in March, or about \$688,000 now. Other assets, such as buildings, vehicles, equipment and others, bring the total up to just over \$750,000.

To that also needs to be added the 492-hectare Waima station, 30 kilometres south of Wairoa, bought by the trust in June at a cost of \$175,000, but probably worth more than \$200,000 now that tree planting and cropping planning permission has been obtained. Planting should begin there next winter.

That makes a total of just under \$1 million.

It is owned by about 1150 trust members, who among them hold about 442,000 shares.

In the 1978-79 year shareholders contributed \$58,000 in cash, a total of up to \$1500 a week at the height of the killing season.

By the end of each season the trust's books usually show a healthy balance; by the end of the winter, when most development work is done, they are close to or in overdraft — around \$40,000 now, in the wake of the relatively short killing season last year.

The trust now has a \$50,000 mortgage from the Rural Bank on the Te Kowhai block and a \$150,000 private mortgage on its Waima block.

Most of the trust members are members of the Hawke's Bay freezing workers unions (equalling about a quarter of the total union membership).

But under the trust deed, up to 10 per cent can be outside "sympathetic to the trust's aims". Kitchin estimates about 50 businesses have shares. So do nearby farmers. Carpenters are not welcome. To drive the point home, a limit of 20,000 shares has been applied on any individual holding.

Shares may be sold, but only with the approval of the trust board. Few have been. No interest is paid on the shares. But after each yearly revaluation of the forest, a bonus issue of shares is made proportionately to all shareholders to increase shareholdings by roughly the same percentage as the market value of the forest rises.

Bonus issues started at 5 per cent in 1975. This year's was 10 per cent.

There is one way members can make income from the project — by working on it.

Many have, either for wages or months during the winter at weekends (exactly as many, Kitchin does not know).

Up to 28 people work for periods during the winter and more at weekends. Fourteen can be accommodated on the block in bunkhouse or in neighbouring farmers' spare accommodation.

But they don't come just for the money. In fact, many like their wages, or all crop expenses, in shares. Roughly \$12,000 shares were "bought" in this way in the 1978-79 year.

They go up to cut scrub, plant, or thin, or prune because they like the place — and because it is their own.

And not just ordinary members. All board members have worked on the place.

Kitchin contrasts this with the directors of the big companies, like Forest Products. "Our directors know exactly what goes on here."

The access of belonging to the project was an important attraction to the trust. Cornelius, normally a manager but in reality also a croaker between a general manager and company administrator, taking minutes, doing correspondence and basic accounts besides tending the trees.

Cornelius was contracted to the trust to advise on initial plantings. At that time he worked for a private forestry company.

Kitchin persuaded him to take some shares and when the trust got big enough to justify a full-time forestry manager in 1978, Cornelius took the job. He and his young family now live on the property in a house completed last year.

The family aspect is important. Cornelius finds himself performing something of a social worker's role.

From the start the trust encouraged teenagers to work on the place. Most of them have been Maoris, which is natural, since around 80 per cent of the trust's members are Maoris.

Some have been in trouble with the law and others seem to be heading towards trouble. Kitchin says the co-operative "gives us the opportunity to look after our own".

He and the current trust chairman, Jack Hamlin, have picked a number of young Maoris out of the freezing works and taken them up to the forest — "one of us on each side, talking to him all the way, jostling him with our elbows".

Once there, the new recruits are thrust into a communal lifestyle, where they are treated as equals and at face value.

They have little choice but to work — and of the speed of their fellow-workers who don't like slackers undermining their enterprise. In return they learn a skill, get paid and, because the trust has a rule that one-tenth of all wages are paid in shares, start to build up an ownership interest.

Cornelius gave the example of one of the workers at Te Kowhai who had come from the Social Welfare Department.

At first he refused to talk to anyone, particularly the "honky" Cornelius who ran the place. Three months later, he was a fully integrated, outgoing member of the team.

Cornelius says many of the young workers spend their weekends at Te Kowhai in preference to going back to town.

"Some have got very little to go home to," Cornelius says. "They regard this very much as their home."

Few — Cornelius could remember only four — resist the integrating process.

It is, therefore, not surprising that the Social Welfare Department has made use of the trust to place some of its problem-cases.

Napier social worker Jim Barnes says there is a good atmosphere at Te Kowhai, one of comradeship. The work helps young people "develop a self-identity". Being far from town, Te Kowhai also provides a "controlled environment", limits on what the boys can do.

develops into million-dollar forestry business



MIKE KITCHIN... turning unemployment into trees.

Another social sideline of the trust's activities is a proposal to set up scholarships so that young trust members can get tertiary education in skills related to the trust's needs: forestry, accounting, law and so on.

Kitchin also wants to take the Maori aspect of Te Kowhai a stage further and introduce instruction in aspects of Maoritanga — carving, language and so on — for weekends, evenings and wet days.

Originally the worker's quarters were intended to be in a U shape surrounding a covered courtyard to make this easier. But there was not enough money so that had to go by the board. Kitchin is determined something like it will come.

But whatever the social and cultural spinoff, the trust is primarily about money.

Cornelius says: "We are a business. All decisions are made on a business basis."

The return on invested capital, which will be paid as a flat percentage dividend per share when the forest is cut, was originally calculated at 10 per cent a year.

This includes the benefit of an annual Forest Service forestry encouragement grant equal to half the forest development costs. The trust gets the grant on the same basis as a farm would — the only difference being that farms will normally put in 50 hectares here and 50 there, compared with Te Kowhai's 1600.

Costs have risen dramatically since 1972. It costs 18 cents to prune a young tree now, compared with 4 to 5 cents then.

But so, too, have estimated returns. The rise in the market value of trees has been outstripping the rise in costs.

The estimated annual return is now 12.5 per cent, which promises healthy nest-eggs — provided that trees are still in demand in 1985 and thereafter.

This does not worry Kitchin. "We are blessed by the capitalist system which has a hell of a lot of waste," he says. "They have looted the South-

What they do get back will, for many, be a sort of superannuation — money for their old age.

For this reason, Kitchin is trying to persuade tax authorities to allow share purchases to be tax-deductible, just as life insurance premiums and superannuation contributions are.

He argues the merits of tax-deductibility also on other grounds: that the trust is providing productive investment in a country that is going to need huge capital investment.

Kitchin claims it is mostly a net gain to investment because it is coming from people who would probably otherwise spend it.

He also points to another social benefit of the trust — that it keeps a number of people off the dole and so saves the taxpayer money. He calculates that if the trust did

not exist, the state would be paying out at least as much in dole money to the people who work on it as they pay in forestry management grants.

Tax-deductibility would help the trust's expansion plans. The trust is cycling two more blocks in northern Hawke's Bay and aims eventually to have 8000 hectares in forest.

Already, the trust is thinking in terms of another full-time expert, a small year-round full-time work gong and more capital equipment.

The official application form talks also of possible diversification into deer farming, livestock farming and horticulture.

But not into the freezing industry.

The Hawke's Bay Foresters Meat Company, owners of the Whakatu works, have helped the trust with loans and free deduction of contributions from wages and possibly benefited from an improving

stability in the work force).

And Kitchin says: "If it is good enough to get \$9000 or \$10,000 out of the company, it would be a reasonable proposition to invest in it."

But he adds: "There is no way we could have the same degree of personal involvement that we can have with this."

Shareholders' annual meetings, for instance, are family affairs.

To Kitchin, involvement is the key. "Investment makes people feel they have got a stake in something."

"We are proving by economic co-operation that we can build a massive asset for ourselves and protect ourselves."

"We live in a society that has a free enterprise system that works for some people. I am prepared to put a lot of effort into making it work for a lot more than some people."

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The executives surveyed represented many nationalities and they were engaged in a wide variety of occupations. Further information on this survey will be supplied upon request.

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Conference pitches 'quality' in marketing bid

by Bob Stoll

THE Meat Board's disagreement with meat exporter Waitaki, which wanted to use non-conference ABC Lines to ship to Europe, has prompted a re-examination of the reasons for the long-standing relationship between the producer boards and the UK Conference.

A conference is a getting-together of shipping lines serving a particular trade. The lines agree to provide a regular service on the basis of an agreed rate structure and at the same time fight off outside competition.

Conferences seen by many as monopolistic—over the years have been the subject of close examination.

The Commission of Inquiry into New Zealand Shipping, set up in May 1970, produced a 301-page report in June 1971.

Chaired by R D Jamieson SM, the committee concluded: "If one considers New Zealand's geographical

position and the enormous distances over which bulky products have to be carried by specialised and up-to-date carriers, one can only conclude that the conference has served New Zealand well."

Quoting liberally from I G Stewart's book "The Ships that Serve New Zealand", the Committee of Inquiry's report notes that the conference system is thought to have originated about 1875, when a conference was formed in the Calcutta trade.

By that time there were too many ships in the trade to carry available cargo and competition was such as to drive many from the trade.

The survivors found it was to their mutual advantage to reach an understanding.

Stewart says that as early as 1873 Shaw Savill, the Albion Line and the NZ Shipping Company had agreed on uniform freight rates, while by 1879 a further agreement on the carriage of wool and mutton had been reached.

With a conference, says the report, sailings can be planned in advance and at regular and convenient intervals.

The lines in the group are assured of a certain quantity of cargo and can therefore more readily estimate the amount of tonnage necessary for present and future requirements.

"Huge amounts of capital are required for the building of modern efficient ships...the ships that are required are fast long-distance refrigerated carriers...they are essential to

the New Zealand trade. Standardised freight rates simply costing for the owners of cargo carried...conferences pride themselves on the fact that all shippers receive equal treatment irrespective of the size of their shipments."

The report notes that there is no scope for price competition among members of the conference and concedes that purists who still believe that free competition in terms of price should exist under all circumstances will naturally disapprove of a conference and set up the cry of "monopoly."

"Bearing in mind New Zealand's inability to provide all the ships which she requires to carry her produce around the world, the seasonal nature of shipments and the necessity for some price stability in a type of business which, unless regulated, is subject to sudden and large swings in price, such arguments lose much of their force."

The report quotes Stewart as saying that although rates are agreed on, there is still competition among members of conferences. But the competition is confined to quality of service.

Stewart suggests that this competitive field remains wide, since membership is usually international.

He points out, too, that should a conference fix its freight rates at too high a level, the resulting dissatisfaction of shippers may attract competition from outside. The only way to discourage this is by keeping rates down.

Stewart suggests that by and large shipping rates find their own level.

The 1971 report does not regard outside competition as a great force in the case of the NZ—UK conference, because competition can come only from owners who have available the "first-up-to-date efficient refrigerated vessels which the New Zealand trade requires."

It says: "Those who at this point think of the ease of fruit export should remember that fruit is a special case. It requires a particular form of refrigeration, and there are in the world refrigerated ships designed specifically for the carriage of fruit. If the trader for which they have been built and upon which they are normally employed are seasonal, and their off-season fits in with the period during which New Zealand fruit is to move around the world, then obviously such ships may be able to provide a very acceptable service to New Zealand."

"Such ships may be able to offer lower rates than the general purpose refrigerators chiefly required for the New Zealand trade. Price competition is therefore possible in that case. It should be noted, however, that here again it is not price alone which will determine the matter. The quality of the service also comes into it."

"We agree with the view that despite the pros and cons of the conference system, no critic of it has yet suggested a workable alternative arrangement which can provide what a shipper from New Zealand needs most—high-class specialised ships, regular sailings to ports as scheduled, whether the ship is full or half full, and a stable freight rate."

Dairy Board general manager, Bernie Knowles, addressing the 1978 annual conference of the Chartered Institute of Transport, listed a number of requirements from a transport user's point of view, to be regarded as a customer with all that implied, to have a convenient service, one with a high degree of certainty, one compatible with



BERNIE KNOWLES... certainly is asset.

A good quality service wanted far more than a cheap service by most export/importers.

As far as price is concerned, producer boards in New Zealand have long been open to freight rate negotiators unlike the situation in Australia where only one has this been done.

It could well be for this reason that the rate per tonne for carcase lamb to the UK is typically \$40 from New Zealand and \$30 from Australia.

But because the conference lines offer a good service (a generally accepted point) at a reasonable price, the rate is not likely to improve, no matter how much the rate is pushed in.

Perfection escapes established lines as they us all...and a conference facing such competition will have to be so much better simply survive.

There have been many conferences of the 19th century pushing in.

A fairly recent one is the 1960s, when the NZ—UK conference decided to secure a discount on its trade and started outside the conference.

They offered a good service...and a discount on its trade and started outside the conference.

Whether the conference benefits much from this performance is a matter of opinion. It is an outside source of 10 per cent of export to Britain, the established line would see each night carrying 10 per cent less, earning 10 per cent less, with no decrease in operating costs.

There would have to be either a rate increase or a reduction in service. If the lines reduced their service, what do they do with the ships in an over-crowded world?

The producer boards and other big shippers are aware of these problems. It would be understandable if they preferred to stick to the devil they know.

Marketing international tough enough without setting workable shipping arrangements.

There's another way of looking at the problem. That freezing works, stores and so on have limited storage capacity. If 'internal' transport is up a roster for shipping, it avoids two ships arriving at the same berth at once, demanding full cargoes.

It makes sense to have produce arriving at intervals to avoid bottlenecks in the distribution chain.

Accept this, and you're on the way to establishing a conference.

There are several

all modes, one that is cheap and also credible. And this was the most important thing—cost?

Said Knowles: "I had no choice of important factors would be that of cost. The conference system is a great asset, of course, a certainty."

As the Commission of Inquiry reported, it offers service which is planned in advance, at standardised freight rates, open to all shippers and with the participants competing on grounds of quality, speed and price.

It seems like every time a traveller gets on a domestic flight, the fare goes up. But even though Air New Zealand is 100 per cent Government-owned and rightfully all taxpayers are shareholders, the public may never know the full story of why it has been necessary for the airline to increase its fare by so much so often.

In its submissions before the Air Services Licensing Authority in Auckland, Air New Zealand claimed that it was a private company that has a business to operate.

The Licensing Authority granted its request to withhold a profit statement for the airline's domestic services and its 1978-79 budget from the press.

What Air New Zealand means when it claims to be a private company is unclear. A private company is a company formed by a small number of persons, usually between two and 25. It is the most common

form of business organisation for the smaller trader.

Air New Zealand is hardly what could be called a "smaller trader". Further, its shareholders number many more than 25.

Large traders usually register as public companies. These companies are called public companies because they open their shares to the wider public. But they are still privately owned, rather than owned by the entire public.

All public companies are required under the Companies Act to publish annual financial statements.

An important principle in the Companies Act legislation is that protection of shareholders, creditors and the general public is guaranteed by the fullest practicable disclosure of information concerning the activities of companies.

The annual financial statements of companies in the private sector are required by law to exhibit a true and complete account of a company's affairs and transactions.

In fact, the Companies Act goes so far as to prescribe the form of presentation a company's annual report must take. And companies are required to present comparative figures for the previous year.

But while the Government has clearly laid down the law for companies in the private sector, it does not always follow its own prescription when it comes to Government-owned companies.

Apparently, the public needs protection from the actions of private sector companies but should rest assured that the Government corporations will always look after the public interest.

Just what is in the public's interest is hard to know, as the Air New Zealand case illustrates.

Is it in the public's interest that internal air fares are kept low or is it more in the public's interest for Air New Zealand to make a profit?

Politicians and the public seem to have an ambivalent attitude toward the making of profit by Government trading companies.

When a company like Air New Zealand makes a profit, it could be that fares are excessive.

Or it could be a sign that management is efficient.

Neville seems to regard a profit as an indication that the company is acting in a business-like manner, whatever that means.

The Railways provide an interesting counter-example. When the Railways make a loss, it could be because of a desire to keep fares low in the public interest. But lately, some politicians have instead suggested that losses by the Railways are a sign of inefficiency.

Since this Government took office, State trading enterprises have been expected to make profits.

To help the enterprises along, the Government has raised charges.

There are several

State corporations ignore public interest

Economist Correspondent

AIR New Zealand solicitor M J Neville made news recently when he told the Air Services Licensing Authority in Auckland that the airline "doesn't look only at this nebulous thing called public interest" when it considers the amount it charges passengers.

Air New Zealand was then successful in its application for an 11.25 per cent increase in domestic fares.

It seems like every time a traveller gets on a domestic flight, the fare goes up. But even though Air New Zealand is 100 per cent Government-owned and rightfully all taxpayers are shareholders, the public may never know the full story of why it has been necessary for the airline to increase its fare by so much so often.

In its submissions before the Air Services Licensing Authority in Auckland, Air New Zealand claimed that it was a private company that has a business to operate.

The Licensing Authority granted its request to withhold a profit statement for the airline's domestic services and its 1978-79 budget from the press.

What Air New Zealand means when it claims to be a private company is unclear. A private company is a company formed by a small number of persons, usually between two and 25. It is the most common

form of business organisation for the smaller trader.

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THE ECONOMY

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"It is worthy of the Gold Seal which it received at the 9th International Wine and Spirit Competition in June 1978 in London."

"It has a fresh taste, a strong bouquet and is sparkly (lively)."

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Ratepayers' revolution gathers momentum

by Itac Mazengarb

IT'S not quite the earthquake that shook the state of California mid-last year, and observers who pass it off as a mere fad may be right.

But those behind the rates reform movement say they mean business and insist they are serious about their cause.

Already the movement in New Zealand echoes more than just a little of the infamous Proposition 13, which was swept to victory in California, then went on to spill into a further 40 American states.

But is New Zealand set for a ratespayers' revolt?

Wellington real estate agent Bryan Weyburne is one of the prime activists for the cause in New Zealand.

He says the movement has gained momentum in recent weeks—and there is little sign of that momentum flagging.

So much momentum that the Wellington City Council,

bearing the brunt of a storm of criticism from the Wellington-born Rates Reform Association (NZ) Inc for its "mismanagement and extravagance", has tried to draw the heat out of what seems to be developing into a national campaign.

The association took potshots at the council in a pamphlet calling on Wellington ratepayers to take a stand.

Mayor Michael Fowler countered with an eight-page rebuttal.

But neither side is prepared to back down.

According to a Rates Reform spokesman:

"Fowler's reply is like a tomb of platitudes. He is defending a disaster; when the lights are going out all over Wellington, partly because they are being strangled by rates, he makes not one concession to economy."

But Fowler had said he in fact welcomed the establishment of the association, "and I

still do".

"There are some persons in it who are skilled in their fields and I respect them," he said.

But he expressed disappointment that the association had "undertaken no serious study of the council's operations or responsibilities".

He even accused the association of "inventing facts".

The argument centres chiefly around what the functions of a city council ought to be, with regard to available resources.

Weyburne and his growing band say the Wellington City Council takes on far too much responsibility in areas beyond its sphere of responsibility.

One member of the association said his interest was sparked by "the disastrous growth of a bureaucratic giant", which is more manifest in Wellington than other centres.

Fowler's attitude seems to be that the council's many functions are "worthwhile

local authority service(s)". It is just the argument which led up to the Californian revolt—that an overblown authority was in need of some fast trimming.

The Californians won for themselves a 57 per cent tax cut or over \$7 billion, and further decreed that any local tax imposed thereafter could increase by no more than 2 per cent per year.

Proposition 13 was hailed as one of the healthiest things to happen in a long time.

It seems a provocative argument.

Rate reformers have established branches in Ashburton, Dunedin, Christchurch and Lower Hutt to complement Wellington's activity.

One recent meeting in the Wellington area raised more than \$800 in membership contributions.

Next phase in the operation is to penetrate the Auckland region.

Weyburne says the association hopes to bring

Auckland-based groups under its umbrella.

Lobbying for support is already under way in the northern city.

In the short-term the association plans to set up a rates reform ticket in as many centres as possible, to contest the local body elections in those areas.

In the past, taxation has been tended to be fought in the country by experts in the field. (They rarely lead to dramatic changes.)

But the rates "revolt" by "people's" battle fought in public arena by ordinary people, linked together for the purpose of effecting rates increases which they don't regard as justified.

Reformers define limits of local govern

IF a private organisation continually overspends, it goes bankrupt.

But when a city council overspends, it simply ups its budget for the following year.

It can continue this practice because it has always had an inexhaustible source of money at its disposal—the ratepayers, say the rates reformers.

But what if the ratepayers refuse to pay?

The Wellington-based Rates Reform Association is calling on ratepayers to make such a stand, because "rates have become so high that they are now threatening the economic existence of those who provide them".

The association claims Wellington is one of the highest rated cities in New Zealand. Yet only one citizen in four is providing all the city's finances.

Further, it claims, no attempt is being made by the city council to reduce overheads while it is involved in projects which are not its responsibility.

The association elicits the zoo, the tip, the library, the transport system, housing schemes, welfare services, the "overblown" staffing situation and other functions which are costing the ratepayer money.

Wellington's mayor Michael Fowler defends the council's position saying that comparisons of rates per head of population have "little validity", since differential rating and the level of services provided are complicating factors.

But this is begging the question, according to the rates reformers who say the rates load is spread unevenly and that just 38,000 ratepayers can no longer be expected to support the entire community.

The association suggested Wellington's situation was approaching that of New York.

"What a nonsense statement that is", came the reply.

Council members were experienced in money matters and would never allow such a position to arise, Fowler said.

But the rates reformers say—wasn't New York? And what about Securixbank and JBL?

Fowler contends such comparisons cannot fairly be made.

Overseas, local authorities control functions such as health, welfare, education, fire services and the police. These are the areas which have brought financial problems.

"None are the functions of local government in New Zealand," he said.

The association recently gave examples of businesses which were having difficulty paying the rates of the commercial area.

Fowler said the information was "irrelevant". In most cases rates did not form a significant segment of business operating costs.

A large slice of rates went toward maintaining the public transport system which brought business to the commercial area, he said.

Rates reformers point a hefty transport losses—expected to reach about a million for the current year—saying the majority of ratepayers don't in fact use the transport facilities.

Taxi drivers reckon they could make own-work-minibus services pay salaries over one year, said Association president Bryan Weyburne who attributes the loss to bad management.

Rate reformers have pensioner housing scheme and welfare services funded from rates, are out of the local authority for activities which should be over by central government.

Fowler's reply: "I am happy to see a deeper understanding of management problems"—a factor often felt to be lacking among EDP specialists—and will add particular strength in project control.

At the head of the joint venture will be Ray Newdick. Formerly a senior consultant with PA, he has moved back into the profession after a brief interlude as General Manager of Arki Industries in Blenheim.

Newdick sees his role as one of liaison between the two sponsor companies and as a spearhead for the marketing of the joint venture's services.

The joint venture projects will be staffed by consultants drawn from PA and Scotts as the situation requires.

This will ensure that the team carrying out the task, is tailor-made to the client's specific needs. Such a company, armed with both management and computer expertise will be a valuable addition to a market, where so many badly implemented projects can be traced back to ineffective communication between management and software people said Newdick.

The joint venture took off at the beginning of September and already prospective clients are negotiating with the companies.

EDP joins consultants

A JOINT venture commenced the other day between PA Management Consultants and J P Scott & Associates. The project will provide PA with project to indigenous software access, while equipping Scotts with the capability to handle management oriented projects.

The arrangement will enable both companies to offer their clients a more complete range of skills and therefore be of considerable mutual benefit.

In most other countries where the PA Group operates, it has founded its own wholly owned subsidiary PACTEL to specialise in EDP work. The possibility of setting up a PACTEL operation in New Zealand has been explored but lack of suitable local staff has proved to be a major problem said PA managing director Barry North.

Several EDP projects to data had been managed with PACTEL staff being brought over from Australia, but this has sometimes caused operating difficulty with staff working 1400 miles from home.

J P Scott & Associates are well established with offices in Wellington and Auckland. The arrangement will give the software house contacts in senior management which it did not have before said managing director Phil Scott.

It will inculcate "a deeper understanding of management problems"—a factor often felt to be lacking among EDP specialists—and will add particular strength in project control.

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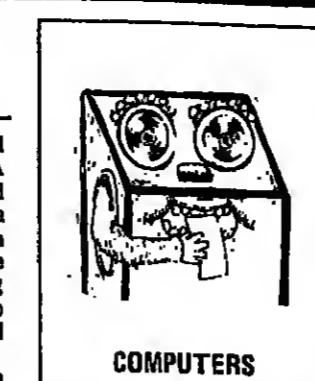
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COMPUTERS

It will be interesting to see whether CAC and Government deliberations come up with any better ideas; perhaps, as one agency director once suggested, a reinstatement of the assisted passage to New Zealand, specifically for DP personnel.

Fair hides computers

by Stephen Roll

WITH the amount of attention being directed on computers as the outstanding example of progressive technology, one might have expected a heavy presence of computing equipment at the World Trade Fair, which finished in Wellington the other day.

Yet the computer equipment which was present was well hidden, among machinery ranging from a Korean automatic telephone dialler to a Chinese loom.

Of the big United States and United Kingdom computer manufacturers there was no sign.

It was left to Italy and New Zealand to present the exhibition's "pure" computing equipment.

Olivetti, represented on the Italian stand by its New Zealand agent Armstrong and Springhall, showed the P6060 small computer, as well as two models of its TES word processor series and the latest entry in the "power-typing" area, the ET 221 "electronic typewriter".

Exposure of the machines should help to broaden the public's perspective of Olivetti as a supplier of typewriters and accounting machines, said spokesman Martin Turner.

They are competing in the market against companies better known as computer suppliers; for example Hewlett-Packard, with its 9800 series.

Nevertheless, some market penetration has already been achieved, with the Post Office taking delivery of several 6060s last year.

Good response was reported at the fair, but most of the public's attention, not surprisingly, was being devoted to the "power typing" equipment.

The TES machines with their lack of a large screen, have already made the line between typewriter and word processor hard to draw. The ET 221 goes even further in the typewriter direction, omitting the other obvious "computer" feature, the floppy disc storage.

Apart from the single-line

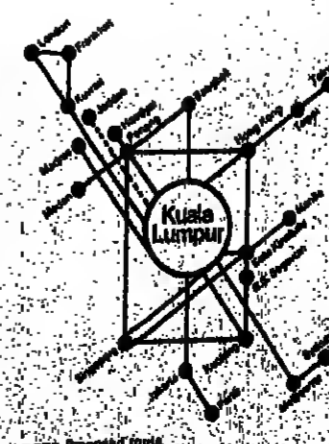
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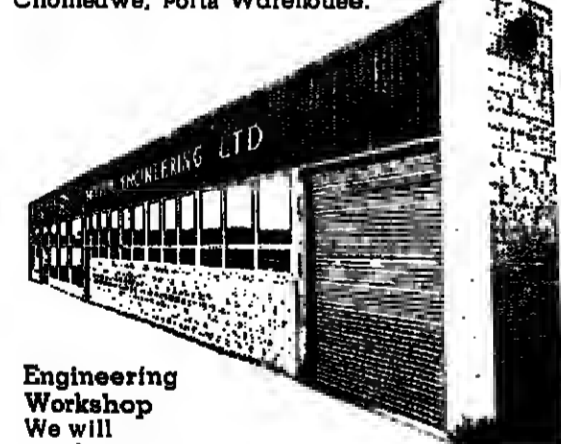


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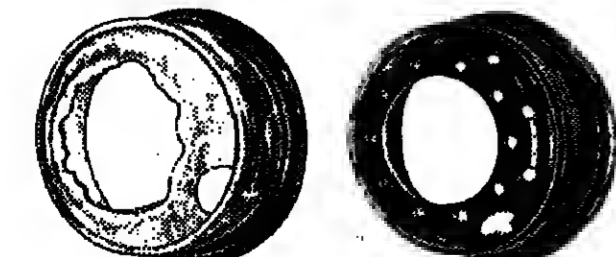
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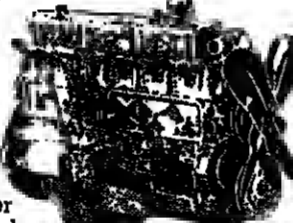
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NBR BUSINESS WEEK

Financial advertising up for control exercise

by Peter V O'Brien

THE Securities Commission's 126 page tome — Background Paper on Financial Advertising Control was released last week as a guide for those who want to make submissions on proposed regulation to control financial advertising.

The background paper contains the commission's suggestions on broad areas of activity which could be looked at by those making submissions, who should indicate their intention to the commission by September 30. (If the commission continues to

issue "backgrounders" of this size its records space will need extension.)

The background paper (available from the commission for \$10) is too extensive for detailed examination in an article, but some sections are worth comment. Referring to offers of securities to the public, the document says:

"Those who make offers to the public take pains to develop a good name — a warm public image. They do it by advertisements, but more subtly perhaps by 'inspired' programmes on radio and television and by agreeable references in the press. What is here to come under legal control? Amongst those who know the financial scene, an intensified campaign of image-building is a well recognised danger signal. Do we broadcast that fact, and leave it there — or do we want a law upon it, and if so, what law?"

"There is a lot of money in all this. Advertising is a substantial source of revenue for the media, for advertising agents, making agencies and public relations consultants.

We will consult with them. "We would like to hear from others. Examples of practices regarded as objectionable will interest us — we are collecting some — and would like more."

The question of these preliminary "presentations" may create problems for the commission. The build-up involved in the issue of shares to the public is an example.

At present two organisations, Flaher and Paykel and the Australia and New Zealand Banking group are planning share issues to

the public.

It is no reflection on these financially sound and well managed companies to say that their issues are awaited with growing expectation.

The expectation arises from preliminary announcements and comments that such action is proposed. The investing public, therefore can be expected to take considerable interest in the issues, and to look for participation even before a prospectus is filed.

Every sharebroker and financial adviser will tell a potential subscriber to wait until the details are known about terms of issues, particularly at times when alternative investments may be attractive.

But it is a far bet that well-publicised share issues from strong organisations will lend some people to grab an application form, with minimal reading of the offer documents. Again that is no reflection on the companies making the offers, because the prospectuses carry easily readable warnings that the document should be discussed with a professional person.

The problem is where to draw the line between legitimate publicity and exercises designed to ensure a successful float, which can overstep the boundary of legitimacy.

Self-regulation is a second matter under commission consideration. The background paper says the commission would welcome submissions from interested parties as to the role of self-regulation both by the media and by advertisers and their respective organisations.

Reference is made to a Canadian report, attached to the paper, which raises the suggestion that there should be power to require a named entity to file with an administrator all sales literature and advertising material at least seven days prior to its use. The commission asks whether this would be a useful suggestion for New Zealand.

The rules of the English Independent Broadcasting Authority on financial advertising are also attached to the paper.

They are interesting, because they prohibit the use of "celebrated entertainer, writers or sportsmen" to present, endorse or recommend any investment or savings offer (take note, New Zealand Government when advertising your cash loans and savings stocks).

The commission has set a "stage two" of the regulatory exercise the question of

comments on specific securities, including investment advisers and writers. This matter has received little attention in New Zealand.

Financial writers, and other commentators, can have connections with the securities on which they comment (the present writer is well aware of the notation at the end of the investment column on Page 28 which will be continued in order to overcome any problems).

It seems desirable that some control should be exercised in this area, even if it is only disclosure of interest.

Should people in such positions disclose whether they or their investment companies are involved in the securities which they recommend, to avoid any possible misunderstanding?

Should the range of investment advisers, outside the formal organisations of the Stock Exchange Association and similar groups, be registered, licensed, required to disclose their interests, to provide other relevant information?

They have to do one or more of these things in other countries, but New Zealand has never applied itself to any potential conflicts which can arise in these activities. (Again this question applies to the present writer who has no objection to sensible rules on the subject.)

The commission will probably get to these matters after dealing with general financial advertising.

Analysing annual accounts

by Peter V O'Brien

WILKINS and Davies Construction Ltd improved its performance in the year to March, but the condition of the annual report needs further improvement.

The document released last week is deficient in several areas which would interest shareholders. Perhaps the partial acquisition by Fletcher Holdings Ltd might remedy some of the defects.

The main fault is the lack of reference to "work in progress" in the chairman's comments.

Work in progress is vital in a construction company's balance sheet, because it indicates the possible state of the company's trading in the period after the balance date.

Wilkins and Davies provides for work in progress fell from \$3.8 million in 1978 to

\$2.7 million. The net figure comprises \$45,556,000 (1978, \$37,373,000) as "valuation of work in progress" less "progress payments received", leaving a balance of \$2.7 million (\$3.8 million).

There is no elaboration of this figure in the report, so the reader is left to wonder if a fall in the value of contracts yet to be completed will affect the company's performance this year. It may not, but in that case the report should say so.

In spite of a \$1.2 million decline in work in progress, current assets went up \$540,300 to \$5,988,501.

A \$800,000 lift in bank balances and cash on hand, and term deposits of \$753,379 (nil in 1978) were the main reasons for the increase in current assets, although a \$430,000 increase in debtors

and prepayments assisted the liquidity improvement.

(The company has a bank overdraft liability — secured — amounting to the substantial sum of \$160, compared with a nil entry in the previous year.)

In view of the natural preoccupation with industrial relations, including the notorious Mangere Bridge problems, it is not surprising that the chairman's review should concentrate on these matters.

Room could have been found for comments on changes in the financial condition, particularly as eight pages of the 26 page report comprise photographs of completed or proposed construction projects.

It would be useful to have an indication of detailed expenses incurred in earning the year's operating, although that omission is common in New Zealand company reports.

Turnover was \$1.65 million higher at \$27.5 million, and operating profit was \$890,000,

compared with \$307,743 in the previous year, after allowance for general income, and charging the expenditure which has to be disclosed in the accounts, under the provisions of the Companies Act.

The company reduced its investment in plant, vehicles and equipment during the year, and sold an investment in BF Goodrich Chemical (NZ) Ltd. The capital gain from realisation of plant was \$218,228, while the sole of investments produced a capital profit of \$208,375.

The BF Goodrich Chemical investment was recorded in the books at \$19,000, so the sale value was \$224,375. (Another investment of \$28,000 in Pozzolan Products Ltd was written off, and therefore does not appear to affect the calculation.)

The profit on sole of investment raises the general question, which goes beyond Wilkins and Davies accounts, of valuing investments in private companies when they

are owned in public companies.

A book value of \$1 a share resulted in a sales value of \$12.46 a share — say \$12.50 (or \$13.50 if the profit is not of Pozzolan).

Keeping such investments in the books at par distorts accounts, and can produce a false impression of a company's true worth.

The report is unclear on the reasons for a substantial disposal of plant and equipment, which was reduced from a "cost price" of \$8,853,000 in 1978 to a 1979 "cost price" (both figures before accumulated depreciation) of \$6,645,000, but it may have something to do with the winding-up of the Mangere Bridge contract, or the completion of other work on hand.

The resulting capital profit of \$218,228, after a probable depreciation writeback, is a healthy boost to capital reserves, which were \$251,317 at balance date, compared

with only \$129 in the previous year.

The report has credit features, including an interesting graphic description of movements in capital, shareholders funds, turnover, assets employed, net profit, capital profits, and earnings rates.

The profit and earnings rate graphs have substantial upwards and downwards shifts in recent years, reflecting the company's difficulties in earning a satisfactory return on its work, and in an industry which has been under pressure.

Even turnover dipped twice in the 1970's: in 1972 and 1977. Taxation is the final matter which needs attention in future reports.

Various adjustments are explained in the notes to the accounts, but insufficient figures are produced to work out what cunctation and adjustment relates to which aspect of the company's activities.

BMG INTERNATIONAL COMPUTERS BUSINESS MANAGEMENT GAME

NINETY-EIGHT teams in round two of the International Computers Business Management Game are currently facing tight monetary conditions not unlike the real-life New Zealand situation. The "market is currently depressed", interest rates are high and borrowing limits have been progressively tightened.

Administrator Dr Michael Joneson comments that the game is already intensely competitive as teams endeavour to maintain sales volumes by lowering prices and using maximum marketing effort, including use of consultants.

Teams overpricing their product have also not badly, as the market has proved very sensitive to price.

Although some teams have already made substantial losses, most are still managing to make modest profits.

The best performance to date is that of A King & Associates of Lower Hutt whose total profit is \$5,210 million, the largest of any team so far in the round.

However, General Foods were possibly in the most secure position with a comfortable lead of \$700,000 over their nearest rivals, Richardson Merrell in the Auckland section of the game.

Dr Joneson commented however, that many games were very close and quite a few upsets could be expected by the end of the round on September 28. The 20 winners proceed on to round three in October. The two leading teams in each game are given below.

GAME LEADING TEAMS		ACCUMULATED PROFIT
Auckland Region		IN \$000s
RA1	Aulsebrooks Ltd, (Auckland)	3813
	2 Beecham Research Labs	3704
9B1	E Andrews	4398
	3 IDAPS Computer Science INZ Ltd	4043
8C1	MWD, Auckland	4141
	5 Felix Furnishing Group	3930
9D2	Fibremakers NZ Ltd, Team 1	3645
	3 J & R Stevens Ltd, Team 1	3608
8E3	General Foods Corp NZ Ltd	4119
	1 Richardson-Merrell Ltd	3398
Auckland & Central North Island Region		
8F5	Tasman Pulp & Paper Co Ltd, Team 1	3482
	2 UEB Industries Ltd (Papatoetoe)	3333
9G3	Tasman Pulp & Paper Co Ltd, Team 3	4017
	1 ISI Corporation Ltd	3819
8H2	East Coast Fertiliser Co Ltd, Napier	4281
	3 J Watte Canneries Ltd, Hastings	4093
8J4	Hastings City Council, Team A	3850
	2 Whistone Wallboards Ltd	4018
8K1	MWD, Tauranga	4018
	2 Tasman Pulp & Paper Co Ltd, Team 2	3980
Wellington Region		
8L4	MWD, Head Office	3395
	2 Ford Motor Co of NZ Ltd, Team 3	3303
8M6	Gini Syndicate	3384
	2 All Plastic Film	3185
8N4	Wellington Chartered Accountant	5041
	3 Mansell Enterprises	4586
8P3	A King & Associates, Lower Hutt	5219
	5 Civil & Civic NZ Ltd	4840
8R5	Dept of Social Welfare (Head Office)	4448
	1 B McCulloch & Associates	3941
Wellington & South Island		
8R2	Siale Insurance, Head Office	3573
	3 National Chartered Accountant (Dunedin Team 1)	3443
8S2	National Chartered Accountant (Chch Team 1)	4938
	6 National Chartered Accountant (Wellington team)	4588
8T4	Christchurch Chartered Accountant	4282
	1 G L Brown & Co Ltd, Christchurch	4150
8Y2	National Chartered Accountant (Chch Team)	3474
	4 National Chartered Accountant (Chch Team 2)	3287
8A4	Matheson International Ltd, Invercargill	2917
	1 Christchurch Chartered Accountant	2738
Dunedin & Team Game		

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NBR SHAREMARKET SURVEY

cynical faithful (not really a paradox). Some room could be made for the small guy to avoid "big business" dominance. Under the present system why should the "merchants" get personally involved, when they may be using other methods to cut through the pressure group system and "pave the way"? Business can learn from the unions and from the tree-sitters.

fashion

by Peter V O'Brien

(It should be noted that there are several ways of calculating "true" earnings when specified preferred shares are involved in investment analysis, suggesting that the amount of the company's tax expense

The company has done well from a buoyant high-tech market, including a period last year when demand went down for local supply capacity.

The current year started well, with sales ahead of the corresponding period of 1991. Provided the economy avoids a sudden downturn, the health of the group should be good over the year and in future. The system of tax incentives for exports is likely to give the group another boost. The

The cash issue will protect existing shareholders' value.

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potential members to enter
rumpiness at a little below
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NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)

Month	Share Price (Base 1957 = 100)
Aug 78	325
Sep 78	315
Oct 78	315
Nov 78	310
Dec 78	315
Jan 79	315
Feb 79	310
Mar 79	325
Apr 79	340
May 79	330
Jun 79	335
Jul 79	335
Aug 79	345
Sep 79	355
Oct 79	350

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EXPORTING

Export Institute pushes for more professionalism in exporting

THE Export Institute's third national marketing seminar in Rotorua brought together more than 140 keen exporters for an intense three-day session.

The topic — towards greater professionalism in exporting — was handled in what one delegate aptly described as a meeting of academic management and marketing theory with practical experience.

Professionalism was the keynote, and Export Institute director Rosa Southcombe set

a fast, no-nonsense pace, assiduously followed by the attendees.

Speakers were drawn from private companies with notable export success — A.H.I. Mason and Porter, Hallmark International and others. On the theoretical side, academics such as Massey University's Steve Bridges and Professor Kenneth Simmonds provided management, marketing and systems approaches to exporting.

Attendees were mainly from the manufacturing

sector. Only three hands went up to a call for delegating responsibilities to the country's largest exporters, the primary sector.

Foreign Affairs and Overseas Trade Minister Brian Talboys opened the seminar with a pep talk on the need to export in order to provide for current New Zealand consumption of imports and for our future national expectations.

Talboys talked about the rapid shift in New Zealand's exports over the past 20 years

— from a reliance on a few products exported to traditional markets, to the present diversification of both products and markets.

In 1964, manufacturer exports constituted only 1 per cent of total exports; last year manufacturers made up 25 per cent, Talboys said.

From a reliance on secure traditional markets, New Zealand exporters had done "wondrously well" in diversifying into new markets.

Breaking in new markets, particularly in Asia — where

the exporter could not assume that tastes, traditions, and cultural likes and dislikes were not those known at home — was not easy, Talboys pointed out, and required a greater degree of professionalism.

Exporters have had to acquire this sort of experience in a short space of time, and their success was, Talboys said, "a remarkable effort in anyone's language — a tribute to their hard work and professionalism".

Praise aside, Talboys had a few hard words for what he called the "Disneyland businessman" who "in Los Angeles and other parts of the world would miss appointments because they clashed with the only free time he had".

Talboys said he saw the Pacific basin as our market. This area, with which New Zealand has geographical links, has the world's fastest growing economies — "the ginger group of world economy", Japan, Taiwan, Singapore and Korea.

While these economies held potential for the New Zealand exporter, they were "not just going to happen". Talboys said: exporters face the best in international competition; success there requires professionalism and research to see where New Zealand fits into those countries' development plans.

Back on the home front, Talboys stressed the need for overseas investment in developing our economy. Those who oppose overseas investment here forget that the industry which is here now is largely the result of overseas investment, he said.

Countries like Malaysia and Singapore were developing with the aid of overseas investment: "What they are doing is saying if you want a piece of the action then you come and show us that you have a commitment," he said.

"We can think of all the reasons in the world for not using overseas investment, but let's be sure that somebody else will if we don't. And if somebody else does, then somebody else is going to be protected in the marketplace," he said.

On the pressing need to export, Talboys pointed to the rising cost of importing oil. In 1973, New Zealand paid \$97 million for its oil. This year, the figure is \$850 million.

But there was no need to sell exporting to the audience at the seminar. They were sold. What they'd come to learn was how to be more proficient at it.

Steve Bridges, Reader in Marketing at Massey University, had the benefit of an academic background as well as practical experience with large firms in the United States and a relatively small firm in New Zealand. His speech covered his own transition from the university to the American firm, and then to practical experience with New Zealand's Tullien Industries.

Bridges talked about adapting a systematic marketing approach (learned at university and practised in huge American companies) to a small company with neither the budget nor manpower to

implement the textbook model.

Other speakers revealed details of how their companies did their market research, secured agents, approached buyers with a professional selling package, and planned their marketing strategies.

Michael Mellon, senior lecturer in Economics and Marketing at Lincoln College, advocated a national marketing strategy for New Zealand. Mellon said that the country might follow the Japanese model for Japan Incorporated with a "New Zealand Incorporated" mentality — a prospect that many of the audience found chilling.

Ross Southcombe has always been an advocate of New Zealand exporters sharing the knowledge gained in foreign marketplaces. From this point of view the seminar was a roaring success. Companies with long experience in the field provided the less experienced with case after detailed case of how they went about exporting, where they went wrong, and what had been learned along the way.

One speaker said he would be happy if the attendees took home just one good idea from the seminar. Judging from the enlivened conversation during much of the few breaks in the light schedule chances are the attendees will bring back to their companies more than just one idea to toss around the boardroom.

Export Awards

PRODUCTION ENGINEERING COMPANY LTD of Merton has won top prize of \$2000 in the 1979 Atlantic Export Marketing Awards.

Production Engineering, a company specialising in high technology, won the award for its EMPEC-80 petrol burner. This pump, together with its console based on microprocessor technology, analyses petrol to be dispensed automatically. Export earnings from the pump are said to be \$982,000.

I D Edar and Son, Pinalands, each won export awards for \$1250.

Pinalands pioneered exports of blackcurrants, and is now achieving success with exports of packaged oslons and asparagus.

Daka Plastics won its award for exports of flexible anti-static bags.

Four companies won awards of \$750 each — Nu-Ox Systems Ltd for its pneumatic conveying systems; R A Canvelling Ltd for its metal fasteners made from New Zealand timbers; Norcross Industries Ltd for exports of knitwear garments; and Roofing International for exports of roofing tiles.

An award of \$500 was given to Centra-Sphere Developments Ltd for exports of its electronic, a device used in separate solids from liquid waste-water treatment stations.

The export business: like a game of chess but just a little harder

PROF KENNETH SIMMONDS, formerly of Wellington and now Professor of International Marketing at the London Graduate School of Business Studies, tossed fire crackers in all directions and brought a gleam to the eyes of many exporters — the gleam that sees a lot more opportunities than they'd seen before. If they take up more than a fraction of his talking points, N.Z. has a bright future.

Simmonds theme was global marketing with a weather eye on the competition. And exporting is merely the first step on that road.

Just for starters, Simmonds criticised the current export orientation of New Zealanders. "N.Z. can't export everything to everyone," he said. He believes that attitude may indeed yield short term profits but will result in long term failure for the very good reason that the New Zealand base is too small to support a world-wide business. He believes New Zealand

businessman cannot afford to see this country as their jumping off platform. He pointed out that in 1950, Cables (now CPD) was a big company and equivalent to the American company, Cummins. Now, nearly 30 years later, Cables are still nearly the same but their American counterparts are gigantic.

Discussing the necessary scale of operations required to succeed on a global level and the risks associated with assuming those scales, Simmonds told the New Zealand exporters that they must be prepared to sell on a scale which was far in excess of New Zealand and Australian combined needs — for the very good reason that somebody over there already is.

He argues that the assumption of aggression and risk in global markets will inevitably erode whatever barriers are placed in their way. In the global battle for markets, those that remain are on a global scale, he said. Simmonds believes that

recent work done by the Boston Consulting Group's development of a global experience curve, simply shows that the person who has more experience in a particular industry or operation will have lower costs.

He maintains that the real test of firms and people in international markets is their viability in the face of competition.

"Marketing sees the world as a zero sum game," maintains Simmonds. In other words the world is not only a limited place, but one in which somebody is going to lose.

"Marketing is about beating him," Marketing is playing the game against specific competitors, in the light of their moves.

In the light of this, Simmonds is critical of current accounting practices. "Most of what we study in accounting is irrelevant," he says. "It may be good training for some jobs."

"It never refers to competitors' costings."

He counselled exporters to "know what your competitors' costs are." What is the competitor doing and how does it affect me? Simmonds suggested that accountants should start calculating a 'return on competitor reaction'.

He therefore believes that today's purchasing officers must be able to think in terms of their competitors' strategies. He feels that the function of purchasing these days is vital because an essential ingredient of competitive strategy is being able to buy cheaper than the competition.

More, it's going to include the capacity to put a competitor's material costs up, while keeping one's own costs down. Simmonds definition of strategy is refreshingly simple. "This is what I'm doing to beat a competitor." He points to the current international fashion to see marketing in terms of inter-corporate warfare. "How do we defeat the enemy?"

For an academic, his views on the development of strategy are remarkably pragmatic. "The name of the game changes while you watch," he says. He points out that

business is never normal because it's never the same. He believes there are no principles in business. "It is more like chess, but a little bit more difficult."

How is the businessman to classify his target markets? Simply because multinational units are in nation states which have reasonably comparative uniformity, he suggests they may be assessed by nations and shares of national markets. But he's critical of what he considers to be a mistake made by New Zealanders, namely that New Zealanders look at the New Zealand market first, then Australia, then the rest. In the same way, he points out that the U.K. ignored the U.S. market. Thus, ICI had no global strategy until 1984, by which time the American firm, W.J. Grace, had come from nowhere to clean up in the United States.

Very sensibly, Simmonds recommends going for the biggest and best opportunities first.

"In which market," asks Simmonds, "will it be most readily achieved? His first criterion is 'the greatest achievement at the highest profit.' Does Simmonds have a prescription for New Zealand?

He believes that New Zealanders should accept first of all that they are citizens of the world. N.Z. isolation must be broken down. The country must be opened up to the world, as must the economy. Air fares should be halved to make it easy for New Zealanders to become citizens of the world.

He points out that since N.Z. isolation is an attraction to foreigners, they should be permitted relatively free entry into New Zealand. He thinks that New Zealand's global businessmen should accept majority foreign stakes in N.Z. joint ventures. Moreover, foreigners should be taken on to New Zealand payrolls. Likewise, to a greater extent, New Zealanders should be prepared to live in the markets in which they're trading. "You are in a global market," he says.

"The problem is in mentality," he believes. "There is a cultural negative... It's bred into us. We all say 'no'."

He agrees that international trade barriers are a problem, but suggests that they are not necessarily a barrier to being

biggest and best. It's simply a matter of being prepared to set up manufacturing plant on the other side of whatever trade barriers there are. He points to the Japanese and Volkswagen as examples.

Overall, Simmonds sees no reason for gloom. "There's absolutely no reason why N.Z. shouldn't dominate in anything it wants," he maintains. "I don't see any reason why it can't be the best in the world."

On the other side of that same coin he says, "I think we are creating these problems."

On government policy, he points out that when a government crimps a firm's overseas investment discretions, it also crimps its ability to compete internationally, thus in the end weakening it on the home front as well as everywhere else. He points to the role of the Bank of England in U.K. export competitiveness. By the same token, he believes that Government economic policies are excessively preoccupied with the problem of maintaining employment.

On competition, "Competition in our export channels is important — break the Dairy Board into two and have them competing."

He continues, "I would always argue for breaking up the monopolies. I think Doctor Sutch was absolutely wrong."

"I think it's a very good thing to have the foreigners in and keeping you up to the mark."

Simmonds believes that Government should take a long, hard look at the present immigration policies, too. "I personally would open the doors much much wider. I would go the Australian route... Get the feeling of cross-border vitality into New Zealand."

"Everyone with expertise should be welcomed with open arms in New Zealand."

"You as New Zealanders should develop a multinational team, but you should start early."

He's critical of the fitness of civil servants to make policies which govern the conduct of businessmen. "To do that, you must really understand that business through and through, and then find out how you can help it without making it fat and flabby." He therefore argues that businessmen and civil ser-

vants need to be well trained as motivators of human beings and as experienced marketers.

He believes that integrity is an important quality which must be nourished at all costs. "It's one of the proudest things N.Z. has," he says.

Simmonds' perception of the influence of the marketplace on all the functions of the business are sweeping indeed. "All the functions are conditioned by the marketplace," he believes.

And referring to the relationship of the business to the people managing the distribution of its products he says, "All the stages in the channel from you onwards, are yours."

"The old idea of the agents not being controlled is out the window."

"Exporting," points out Simmonds, "isn't a cultural business." It is particularly important to New Zealanders who still have a long way to go to learn that the first element in global marketing plan is to understand the rules of other cultures.

"Those other cultures have a vastly different set of rules," he points out, citing the catastrophe experienced by Campbell's Soup in the French market.

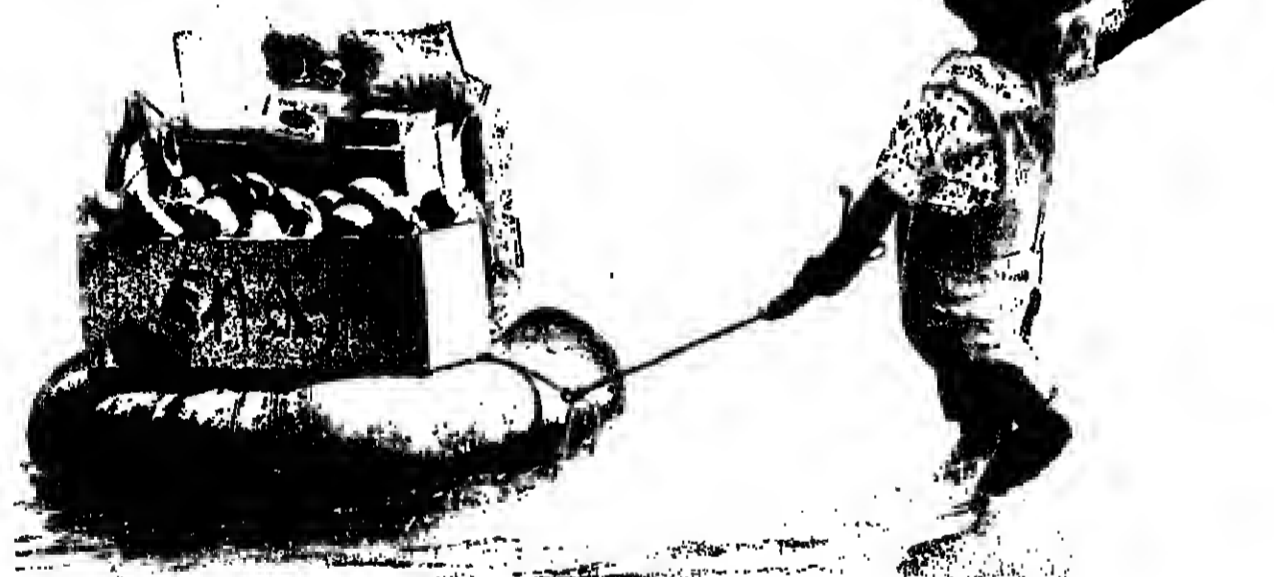
He asked New Zealand businessmen to be aware of the significance of culture shock. To the new resident in a foreign country it can cause depression and withdrawal. And both of these lead to poor performance in the workplace.

Simmonds does not see New Zealand's small size as a problem. "I don't think you should be scared of large businesses with 20,000 people in one building. Why should we be scared of putting big numbers together," he asks.

He suggests that New Zealanders could operate like the Scandinavians where they have large numbers of people stationed in overseas branches. "What's stopping New Zealanders from managing foreigners?" he asks.

Perhaps Simmonds' major point for New Zealanders is that in the end, survival will go to the fittest. Today, everybody knows what attitudes marketing and therefore the person who survives is the person who can do it better and more cheaply than anybody else.

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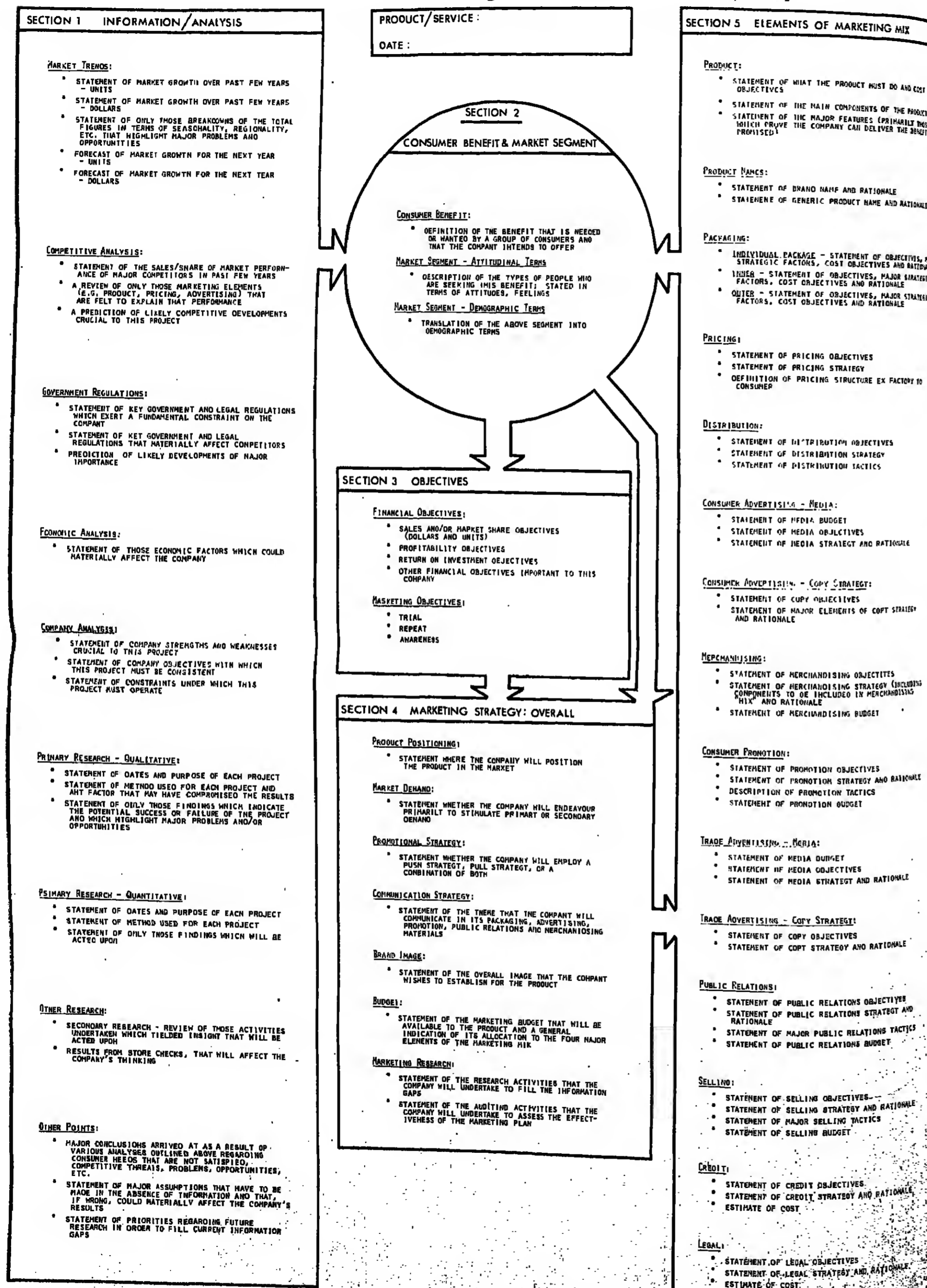
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Marketing Plan Flow Chart

by J.S. Bridges



The marketing plan flow chart: an innovative approach to planning



J.S. BRIDGES, Reader in Marketing at Massey University, introduces the Marketing Plan Flow Chart, an innovative approach to product planning which is tailored to meet the special needs of small companies. Bridges developed and used the new plan while marketing manager of Tullen Industries Ltd., Auckland.

THE layout of the marketing plan flow chart (see sample chart opposite) has been devised to discipline the marketer into a logical, systematic approach to planning. It closely follows the structure of marketing plans used by many large companies.

The space devoted to each major element has been carefully determined, based upon observation of other marketing plans and experience with the MPFC since 1976, in order to ensure a proper allocation for most products or services. For example, one-third of the space has been devoted to each of "Information Analysis" and "Elements of Marketing Mix" as these subjects typically require more space than others to cover adequately.

To be consistent with readership patterns, the MPFC starts with Section 1 to the far left and then works progressively to the right in columns and downwards, ending with the final part (Section 5) on the far right.

Arrows are used to ensure a logical, systematic flow of thought for both the writer and reader of the marketing plan. For example, it is felt that the marketer should not finally settle upon the consumer need and market segment to be satisfied until he has carefully analysed all the information available to him. Likewise, objectives will be much more realistic if they are set after analysis of the available data and the decision concerning which market segment to satisfy. The same reasoning applies to other sections as well, with the single exception of the arrow between Sections 3 and 4. This arrow is included to indicate that the aim of the marketing mix is to have an impact on the chosen market segment.

Section 1: Information Analysis

The accompanying MPFC sets out the type of information that should be included in this section if it is available. Obviously there will be few small companies which will have

the likelihood is certainly heightened.

Section 2: Consumer Benefit and Market Segment

The various data analysed in Section 1 are the inputs upon which the remainder of the marketing plan is based. As a synthesis of these inputs, the company is then in a position to define the consumer benefit it plans to meet and the market segment wanting this benefit. This forms Section 2 of the MPFC.

There are two reasons for separating the statement of consumer benefit and market segment from the analysis section. First, the very basis of marketing is satisfying consumer needs of a profit. The benefits offered the consumer

will have a significant bearing on whether or not the consumer needs are effectively satisfied. Second, the entire marketing programme (marketing strategy and marketing mix) must be carefully formulated so as to have a strong impact on, and impact upon, the selected market segment. Both of these reasons suggest that the success or failure of the company's programme is largely dependent upon how well it defines the benefit it will offer, and who will be receptive to it. Given this crucial importance, it makes sense to highlight these two elements.

Elaborating further on the market segment component in Section 2 of the MPFC, note that two types of segmentation are referred to — that is,

attitudinal (psycho-graphic) and demographic. The first is important because it provides valuable clues and insight into the marketing strategy and marketing mix that should be adopted. The second is important — particularly for those companies which decide to advertise — as it enables the company's advertising agency to construct an efficient, effective media plan. Audience and readership data supplied by various media owners and independent research firms are usually provided only on demographics, not on attitudes people share.

Section 3: Objectives

Once the market segment has been defined, the company

is in a position to establish its financial and marketing objectives. Ideally, the size of the segment should be quantified in order to set realistic targets, but this may not be possible for small companies, due to financial limits on the amount of primary research that can be undertaken. For companies in that position, objectives should be set based upon a combination of secondary research (such as study of census data) and judgment.

Some of the objectives that can be included are mentioned in the MPFC, but the list certainly is not exhaustive.

The objectives that are set should be specific, cite a definite time span, and be capable of subsequent measurement of actual performance. (Continued on p. 35)

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From page 33.

formance. For example, if consumer awareness is considered important to the company, a specific target should be set (for example, "by December 31, unprompted recall of our brand name should be 80 per cent of our market segment"). This can be measured via a relatively inexpensive survey conducted by an independent market research firm. Distribution targets can also be established, and performance in this area monitored by the company's own personnel — if only on the basis of a check of several retail outlets.

Section 4: Marketing Strategy — Overall

This section contains a description of the overall methods by which the company plans both to satisfy the consumer's needs and achieve its objectives. It should incorporate only those statements that will affect or influence one or more elements of the marketing mix.

The MPFC mentions several possible strategy elements to illustrate the kinds of statements that are appropriate for this section. For example, the brand image desired for the product is a strategy statement under this definition because it will influence, or constrain, the company's decisions on the following mix elements: product; product name; pricing; distribution; advertising theme; merchandising theme; packaging. Another example is whether a "push" or "pull" strategy — or a combination of the two — will be adopted, as this decision, among other

ramifications, will dictate whether or not the tools of consumer advertising and promotions will be used or ignored.

Section 5: Elements of the Marketing Mix

Fifteen elements of the marketing mix are referred to in Section 5 of the MPFC. These are tools which the company can control and manipulate in order to achieve its objectives. It is not suggested that each tool should be used for each product marketed. In some instances, it may be beyond the financial resources of smaller companies to use all the tools effectively, so priorities may have to be set; in others, the use of one or more tools may not be relevant for a particular product. (For example, the "legal" element when the product is not patentable, or does not have a unique design; in other cases, the strategy statement in Section 4 may dictate against the use of one or more tools. For example, establishing a top-quality, exclusive image for a product will rule out distribution in discount, mass merchandising retail outlets.)

The first step, therefore, is to select which of the tools identified in Section 5 are relevant to the particular product under consideration. Once this is completed, the marketer should provide a concise statement of those aspects — and only those — which are vital to the success of the project.

In contrast, the company may support this MPFC statement with a separate brief for the technical or production people which is lengthier because it delves

much more deeply into the numerous other — but much less important — features of the product.

Uses and Benefits of the Marketing Plan Flow Chart

This approach to marketing planning offers several uses and benefits which are not afforded by the conventional, more sophisticated, approach.

First, it offers a large proportion of the value of planning at a fraction of the time and cost. A draft of the MPFC can be completed within hours if the marketer has a fairly good grasp of the business before he starts. At the most, it will only take a few days. The MPFC disciplines the planner to boil down everything (data, strategy, marketing mix) to its essence, so that matters which are superfluous or of secondary importance do not consume valuable time. A more com-

prehensive and thorough treatment of all conceivable facts and actions may improve the results — but probably only by a slight margin and at a greatly increased cost.

Second, the MPFC highlights gaps in factual knowledge, and demonstrates the extent to which assumptions are relied upon. This in turn enables the company to set reasoned priorities for the substitution of facts for assumptions. The risk of making wrong decisions must surely decline as critical assumptions are replaced by facts.

Third, a handwritten draft serves as an excellent basis for discussion with those people whom the planner values for advice (such as advertising agency people). The planner gives a copy to each person, who then reviews the entire draft plan on one page, thereby encouraging a thoughtful review and permitting a much

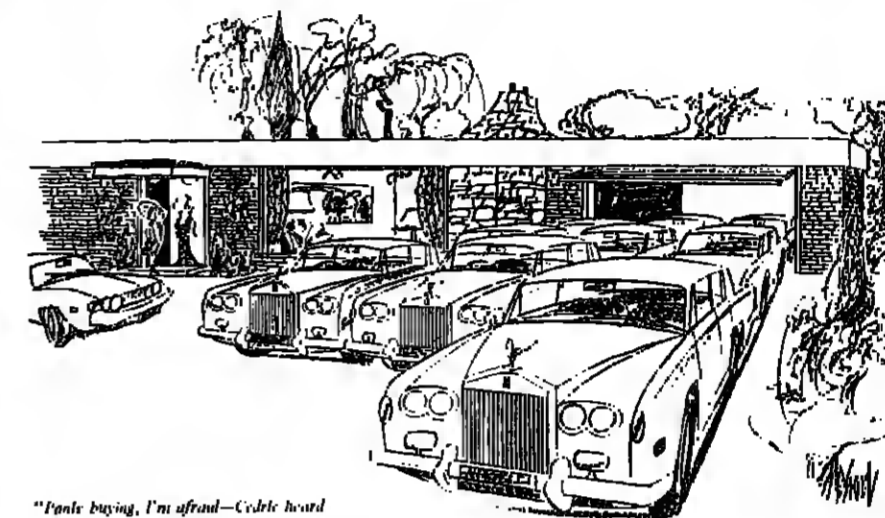
more effective critique. The planner and evaluators can then meet, affix a copy of the MPFC to a wall, and review the draft plan, commencing with Section 1 and working in sequence through to Section 5. The planner uses a felt marker to mark the sections or areas requiring additional input or modification, and at the end of the meeting, knows exactly what is required to develop a better (and if desired) more comprehensive plan.

Fourth, the MPFC doubles as an excellent and inexpensive tool for communicating the company's marketing programme to the sales force, sales agent, or distributor. The MPFC is an effective means of communication because it is thorough, logical, and systematic presentation can be made directly and quickly from the chart — or with a modified version assisted by overhead projection slides.

Fifth, the MPFC is an effective tool for conveying a sales force or sales agent that your programme is "right". That is, it is a tremendous selling aid — if used properly. The presenter who "walks" the sales personnel systematically through the MPFC before exposing the product, its packaging, advertising, and so on will usually have "pre-sold" the audience on these elements by the time each is unfolded, thereby preventing subjective — and often destructive — criticism from arising. Moreover, subjective criticism that still surfaces ("I don't like the package") can be effectively rebutted in most cases either by referring back to the relevant points in prior sections which prove the logic of the approach taken, or by showing that the criticism is inconsistent with previous points with which the objector has agreed.

Granted, this approach cannot guarantee to eliminate all subjective criticism of marketing tactics, but experience proves that it will substantially reduce them.

The Marketing Plan Flow Chart is not a revolutionary innovation in planning. It is a simple adaptation of accepted methods of planning to the particular needs of small companies which do not have the resources in either time, money or manpower to resort to more sophisticated planning techniques. It seems to yield much of the benefits of sophisticated planning without incurring the high cost normally associated with that approach. It offers the additional benefit of serving as an excellent and effective communication device — a further saving of time and money for small companies.



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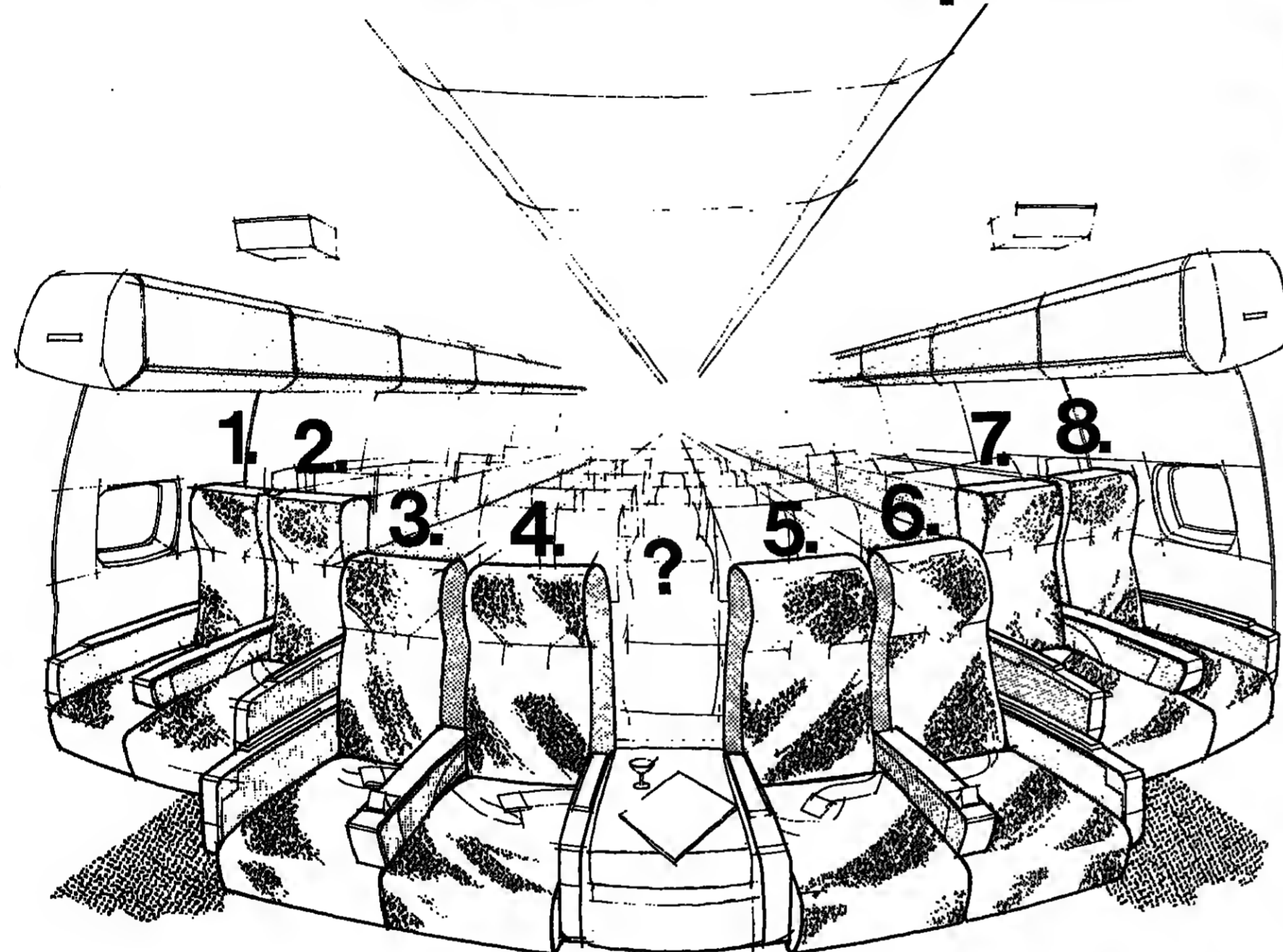
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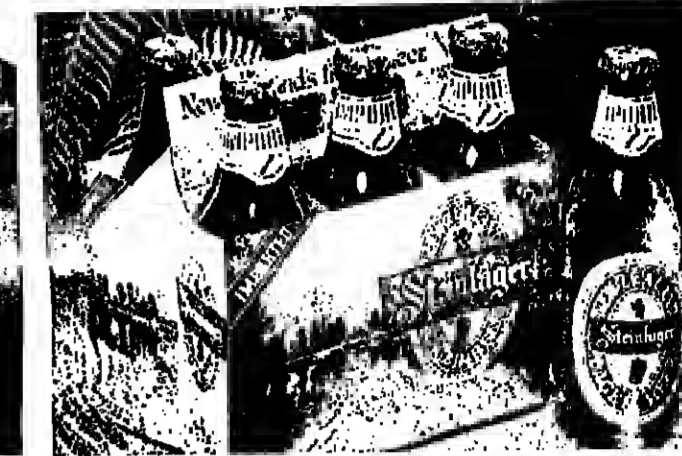
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The American market: or how to sort out the myth and the mystery



MOST New Zealand exporters will look at the United States at some stage. It is a huge market. More than 200 million people spread over a large continent.

When approaching a market like the United States, most of what you hear is confusing. For example, people say that "all you need is .003 per cent of the market, and we'd have all five of our factories working 24 hours a day every day of the year, and even then we'd only supply about a tenth of it". And everyone has his favourite story about the ruthless and dedicated American buyer, demanding breakfast

MARK SAINSBURY, manager of Mesco Gas in Auckland, proposes marketing ideas for New Zealand products in the United States of America.

meetings at 6.30 in the morning. But American buyers are very conservative — they have to be. Mistakes, if they are made, are too large.

The myths associated with this market are legend, the truths are rather harder to find.

One of the most important aspects of marketing in the United States is research. It is not a question of whether you carry out market research for your product in the United States, it is how much you do.

Research, although expensive, can be used as a most effective selling tool. If you go to an American buyer and show your product, mention the pricing point, outline the manner in which you are going to distribute it and inform him of your promotional plans, he will be impressed, but sceptical. If you mention all those things, and then produce research to prove your findings, he will then be interested.

The American market can be segmented in minute detail, so most of your secondary research will be to find out which segment your product fits into. When that is established, your product can be positioned properly in the marketplace.

I believe that a research campaign carried out to assess

the positive attitudes to a New Zealand image in the United States would be most beneficial.

This could be done by forming a group of companies to finance a generalised research programme aimed at establishing these positive attitudes. After consultation with a Harvard researcher, I believe that a small sample could be used, maybe as few as 250 people. These people would be interviewed by telephone to assess their knowledge of and interest in New Zealand. This group could then be narrowed to approximately 25 people with positive attitudes about New Zealand. They would get together, and a generalised discussion would be encouraged to try to uncover positive attitudes that could be included in any promotional campaign.

Equipped with this information, the companies involved could use these aspects to advantage. The advantages of companies pooling their resources in a large market like the United States can be seen with some forms of multi-product research. Several companies with a parallel or similar product could commission a research project to get a generalised feel of where their product grouping would fit into the United States market.

This form of basic market research information could save money for all the companies involved and enable them to later add to that information with more specific market research.

Exporters from other countries combine in the export field even though they may have an intense rivalry at home. But New Zealand companies seem to be convinced that there are no advantages in combining with competitors. This is mainly caused, I am convinced, by a basic lack of confidence in their own ability.

Parallel product marketing has many advantages. This is where two or more companies get together to market similar types of products as part of one campaign — for example, tableware and glassware, involving Ceramco and AHI. There are also opportunities to combine with American companies to do parallel product marketing. This can give you access to a whole distribution network.

There is also the possibility of New Zealand companies getting together to form a New Zealand-type shop in the United States. This idea has been widely considered by a number of people, particularly in fields such as restaurants. But where I think that this

concept offers the most attractive rewards is in the shop-within-a-shop arrangement. In the United States, specialisation is catching on: it

is no longer a tennis shop, it is now a tennis-shoe shop, and the more specialised you are the better you do. Finally, mail order. Mail

order has exciting possibilities in the United States because there is often a client of exclusively about selling in this way which, combined with the

cost of ordering and the excitement of getting something through the post, is an increasing method of marketing in the United States.

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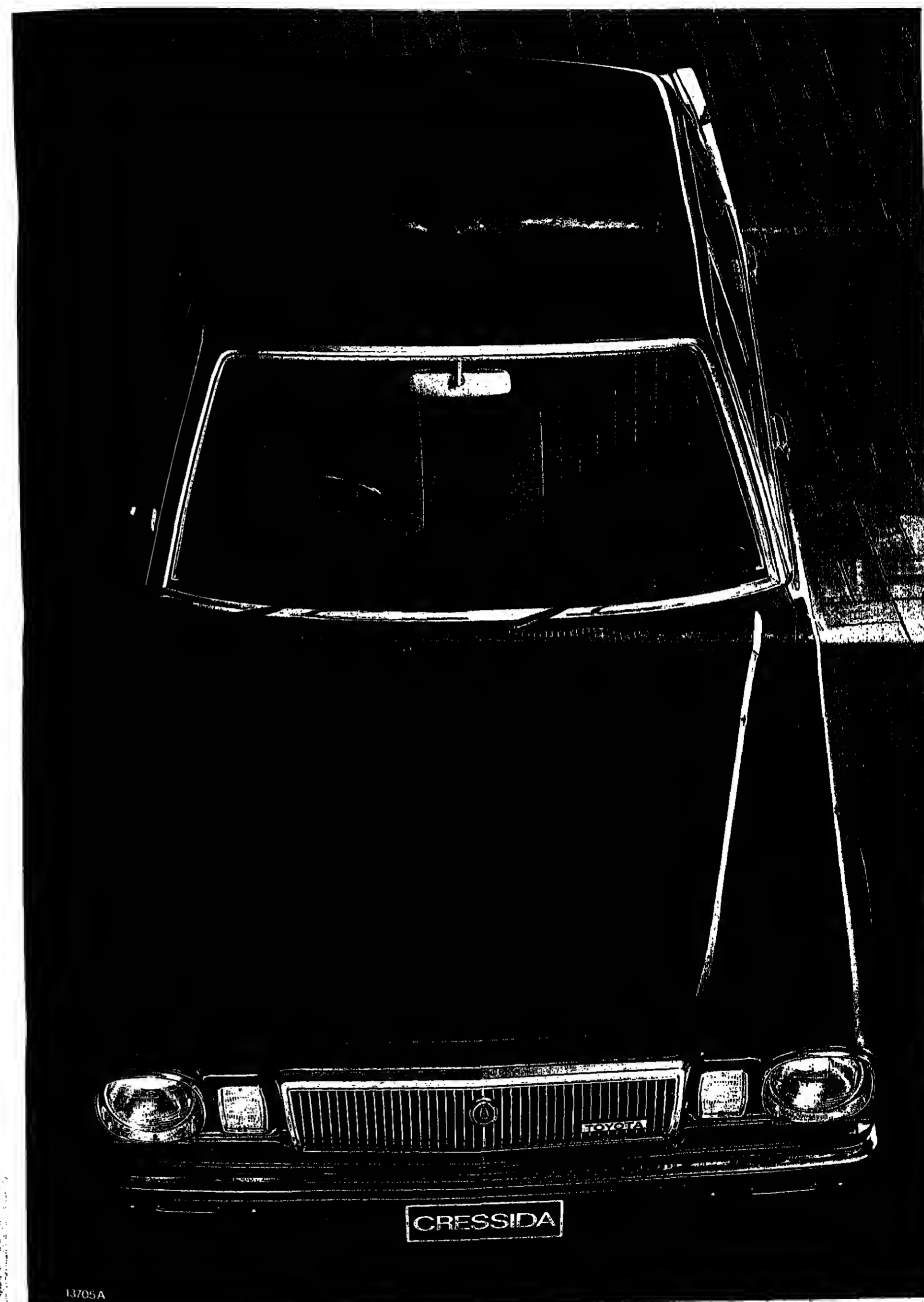
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New Zealand's myopic view of the export world must change

NEW ZEALAND manufacturers and primary producers appear to willingly abdicate control of their product, which causes disastrous results — consumer receives poor quality goods, lack of after-sales service damages the firm's reputation; greater returns are obtained along the distribution chain than at the point of production.

We give priority to converting products into cash at the earliest opportunity. We must correct our short-sighted view of the customer as the person or organisation with whom a cash exchange occurs. In a world of fast and relatively cheap communication, there is no excuse for this "one stage relationship". We must avoid isolation from the decision makers.

MICHAEL MELLON stresses the importance of identification of, and control of, distribution to, the final users in overseas markets...

Control is an important skill of strategic marketing. With the change from a trading mentality to a marketing philosophy, we need to be familiar with the end user. And we must develop disciplined distribution in parallel.

Putting intermediaries into perspective

We traditionally recognise two classes of intermediaries, "agent" and "merchant". The agent class we can normally keep some control over because we retain title; our problems occur with the merchants who take title. On many occasions the manufacturer's strategy is subordinated or even contradicted by the merchant's objectives. The power of the merchant is derived from payment of cash in his role as "customer" rather than as the supplier of skilled services that facilitate products reaching users.

To counteract this power of the cash payer and to accentuate the positive role of the intermediary, I developed two guidelines for control in marketing management.

1. Irrespective of the number of parties involved in the flow of goods or service, the "principal" is that party whose brand appears on the goods and is recognised by the "user". Faulty, unbranded merchandise, particularly consumer goods, marked only with "Made in New Zealand" could tarnish our national (generic) image and reflect on other products, as previously occurred with cheap Oriental merchandise. For such unbranded merchandise with only "Made in New Zealand" mark, the nation, through the Department of Trade and Industry, is the principal.

2. All intermediaries involved in the flow of the goods are either "contractors" to the principal or the user. "Contractor" implies a subordinate role, but it must not be interpreted as being a superfluous one. Specialists in various fields such as forwarding, banking, negotiating and communicating are vital. These service organisations struggle to become the most effective in their fields and become principals of their particular skill or service which the export producer can contract.

In a strict legal sense, the owner of the goods becomes the principal, a role which merchants endeavour to secure, but the brand owner must make the transfer of official title conditional so that the presentation of the goods to the ultimate user accords with his marketing strategy.

Identifying your Product Flow

Many elementary mistakes are made in assessment of future trends, based on the destination port only.

The Netherlands is frequently described as our fourth biggest wool customer because large volumes are consigned to Rotterdam. But Holland has only minimal facilities for processing wool, and the majority is reshipped. The Netherlands, therefore, is not the customer but the financing and warehousing contractor providing for New Zealand a temporarily useful service.

We want to know exactly what is happening in the crucial place of utilisation, as on this depends future order levels. We do not know yet where much of New Zealand's wool, processed foods and lumber is being consumed; much of the available information originates from intermediaries who will naturally slant reports to suit their convenience. More contact with the end user is a crucial preliminary to better product development and control.

While one can assume with some products and markets that shipments are related to processing throughput, one cannot assume the same for consumption. It is only when we know the ultimate consumption rate that repeat business can be predicted.

Visit markets to investigate use and identify the key factors in determining your demand. You may well be surprised at how you are being used and who your competition is because life style and usage patterns may inject a new dimension of competition not previously envisaged. This may lead to unexpected items becoming a substitute and hence a competitor.

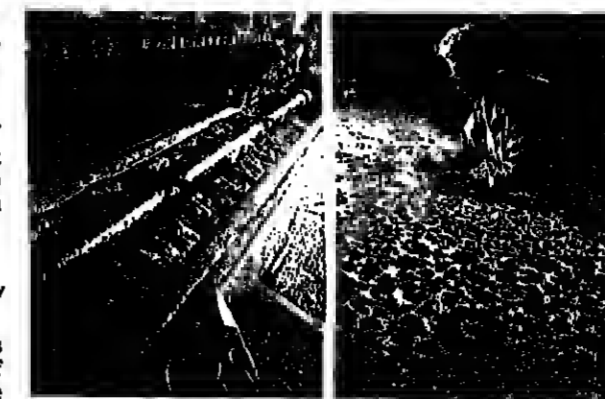
Having identified the potential range of substitutes and competitors, maintain data on them. Try to cultivate a battery of indicators so that your demand functions represent the reality of the market in full, rather than the limited scope of earlier work with so few variables.

Information about end use is vital for your product development and quality control. You will need to give intermediaries genuine assurances over their security to reach important users, and this involves building trust.

Improvements in Control

Quality control standards must be higher than we have traditionally learned from Britain. Quality control staff must be separate from the production department, otherwise standards become compromised. Export marketing staff should link more closely with product development and quality control executives, as their support is vital.

Much executive time is wasted in New Zealand communicating over changing prices. Sound marketing



CARPETS... one product that is fully processed locally.

management requires that price changes are infrequent, and that when made, all other components of the marketing mix are reviewed at the same time. Skilled industrial marketers set their price

schedules so that they are not changed or haggled over, except when there has been a major environmental change. The "principal", with his knowledge of the market situation, should initiate price

changes, in contrast to the common situation where we "take prices" set by "buyers". Marketers are analysts of information from every conceivable source. Prices are set to suit the desired product position with long-term market relationships as the dominant factor.

Export prices must be worked back from the positioned price, after allowing for all contractors' expenses and import duties.

To aid selection of markets and channels, the exporter must keep conversant with world political and economic events. Do not expect overseas markets to have the individual stability of your domestic market.

Often the selection of channels may be dictated by

traditional constraints or monopoly situations. As we are not traditional suppliers to our Pacific Basin neighbours, it may be necessary and sometimes advantageous to ignore the traditional number of levels, as being small we might be lost. It may just be right to aim for a small specialist market that can be reached with a low-cost, direct approach. Such unorthodoxy may require other special decisions. A good example is the Apple and Pear Board's warehousing in several overseas markets and using agents only for payment collection and promotion. In several markets, distributing wholesalers specialise only in warehousing, transportation and payment collection, and are unable to handle merchandising.

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Case study: Knight Tailors tell how they took the US market by the pelt

KNIGHT TAILORS originated from our family tailoring business. The tailoring business started in 1946 and Knights was established as a corporate identity in 1971. Our natural pelt garments are a seasonal product, and from the outset we knew we needed to export. We needed Northern Hemisphere markets to keep our staff and plant fully utilized all year round.

Our company policy was to establish home markets first. To some degree we used New Zealand as a testing ground, and with one or two problems ironed out in our home market we moved to Australia, and established our markets through commission agents. Knights' next step was to look at some stable marketing prospects in the Northern

Hemisphere. At this stage, we needed a northern market to further company growth and continue development. We decided the best way to achieve our goal was to market in North America. We tried various methods to establish ourselves over a three-year period, servicing the United States by frequent trips, but decided that we needed to put our own marketing operation into North America.

A number of factors influenced our decision to establish our own operation in the fashion industry, you have to keep abreast of fashion trends. You've got to have up-to-the-minute reliable information. For this information we needed to have our own personnel par-

manently attached to this marketplace. In addition, American retailers are not

GRAHAM BOULT, marketing manager of Knight Tailors Limited, Invercargill, explains how the company has established its own operation in the United States to sell quality natural pelt garments in a sophisticated market, and pinpoints pitfalls for companies wishing to set up their own overseas selling operations.

interested in importing. What they want is servicing, back-up stock facilities and credit facilities. Sold through an existing wholesaler, our gar-

ments would have been uncompetitive. Our only solution was to establish our own marketing operation.

First we had to decide on a location. Market research on earlier visits indicated the West Coast of the United States. We decided on Seattle partly because we already had a certain amount of established business in the area, but more so because it is one of the best distribution areas in the United States. It doesn't suffer from overcrowding and is easy to operate from. It also offers tax incentives.

Initially we went into a joint venture with United States partners, but quickly discovered two things which became important guidelines for making future decisions:

1) When it comes to consumer products, American businessmen are always looking for a quick return; 2) When the going gets rough, they look after self interest — they will always leave an escape route for any deals.

Then we had to find good reps, which is easier said than done. These guys work on commission; their only income is from what they sell, so why should they consider selling an unknown product manufactured by an unknown company? They can't be certain that your product will be up to sample standard, or even that you will deliver. And because you are pioneering a market, a lot more effort is required on their part. The best reps are not interested unless you are

prepared to offer them a big drawcard.

Some of us had initial discussions with reps who were asking for \$2000 front money a week plus expenses to establish our product. We were busy trying to establish ourselves and there was no way we could pay that sort of money. We knew, however, that getting the right representatives was extremely important. Eventually we found them — Persistence and selling yourself — if they feel confident in you then maybe they will try the product.

Next we had to develop the right terms of trade. Regardless of who you are or where you come from, your terms have got to be the same as similar to, or better than your competitors. The marketing situation in the States is very different from New Zealand. Debt collection, for instance, is a big headache. You are looking at a credit period of at least 45 days, which stretches to 90-120 days. After that, if you want to collect on a non-paid debt, a client in another state, you must hire an attorney from the state in which that client is based.

Next, we had to do a maximum product exposure. The medium we chose for our garments was trade fairs, and we entered into a comprehensive programme. There are approximately 450 major trade fairs and an equal number of women's in the course of a year. Out of these we had to select those of value and cover them adequately. We found that joint stands were a waste of time. The name of the game is to get maximum exposure in minimum time, and co-operative displays were not conducive to this. Success at these shows had a lot to do with consistency of appearance. We didn't receive much response from our first fair. But when we did our third stand at the same show we started to become accepted. We had demonstrated that we were not a fly-by-night outfit.

Knight Tailors has now been operating in the United States for two years. In our Seattle office and warehouse we have two New Zealanders and three Americans. We are not only marketing our own company's goods, but also a line of footwear produced by an Auckland manufacturer. It is only now that our operation is beginning to function as we would want. We have established a credibility and we are acknowledged as a merchandise resource by clothing retailers. But we are still scratching the surface of the market. It will take another three years of steady and determined work and planning before our ultimate aims are fulfilled.

The United States market should never be looked at in short term. Any company wishing to establish itself there is looking at tremendous capital and development expenditure. The United States can be approached only on a long-term basis. Companies should aim to write off development costs over at least five years.

The following points are vital in establishing a successful venture in the United States:

1. Research your market. Obtain as much information as you can in New Zealand, then throw away your book and hop on a plane. Look at trade fairs, how they operate — how buyers operate when they buy — where to contact reps, stock of competitive merchandise — put it to pieces — study the presentation of the product; look at how your competitors merchandise; look at why consumers buy the product.

2. Locate and consult a good attorney. When you have found him, how do you know if he's any good? Check with his clients — he won't be upset; he expects you to. Don't be afraid of his charges — If he's good it will be money well spent.

3. Work out a long-term marketing plan. You might say that's just normal marketing but in the United States that plan will encompass more facets of marketing, take longer to implement, and cost far more than you originally envisage.

4. Decide which method of financing you are going to use within your market place. From your market research you will know how your competitors operate. Study their methods. You will also know what credit period you have to give — add another 50 per cent to that length of time. You will have to make use of every tax incentive available — study them, and put them to good use.

5. Research the best location for your operation. Ease of distribution is the most important point. You may find it's preferable to have your warehouse at one location and your sales office at a merchandise mart where you will get ease of access to buyers and better exposure.

6. Make sure you have the right blend of New Zealand and American staff. You need New Zealand personnel — it helps credibility. They can report in terms you un-



PROCESSING PELTS

dressing up for the US market.

derstand and they understand your production problems and capabilities. Listen to what they say as they

are the people in the marketplace. You also need American personnel — look for someone who has retired from

marketing in your field; he will know the pitfalls. This type of person is easier to find than you may think —

takeovers are frequent in the United States and redundancy in the over 45 age group is high.

7. Cost your product on the basis of maximum runs over minimum range. This has got to mean a loss initially, but this method, coupled with tax incentives, is the only way most New Zealand products will be competitive in the American marketplace.

8. Aim for the best exposure for the product. Consider trade fairs the best medium, but your display must be professional. Catalogues, mailing sheets, trade advertising and press releases are important too.

9. Understand your customer. Put yourself in his place — then decide if you will buy your product.

10. Forget about looking for short-term profits. A hard thing to convince any board of — my recommendation is that if you are looking for short-term profits don't go to America.



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Use right tools to top off an export sales deal

KNOWLEDGE is the foundation on which a sale is built. If you are to be successful, the three vital areas of knowledge with which you must be familiar are:

- 1) Your Prospects — you must understand the customers' needs and problems, their purchasing policies, and which individuals influence the purchase of products you are selling;
- 2) Your Company — you must know its history, its policy, understand its objectives, and what it expects of you;
- 3) Your Product — you must know its uses, its features and benefits, its advantages and superiority over competitive products, and you must be aware of its limitations.

The foreign buyer may know little about New Zealand and its relationship to his own environment, so it is worth outlining both strengths and

ROBERT WALTERS, manager of AHI Roofing International, looks at some of the basic selling tools which can be used when presenting technical, industrial or capital equipment products to foreign buyers...

weaknesses. You should try during face-to-face discussions to build up personal rapport, trust and common interests that can assist in obtaining the sale and in getting continuing business.

As far as business protocol is concerned, it is advantageous overseas to have the right title for the job, which will allow you to meet the decision-makers as an equal. The overseas buyers must believe that you have the authority to make decisions which will not be countermanded by senior management or boards of directors.

Titles, however, are not enough on their own. Manner,

dress and personality all play their part in selling you to the buyer.

Unlike your local counterparts in the market, you cannot visit on a daily or weekly basis, and thus you have to make an agreeably lasting impression in a short space of time.

Sales representatives often spend time in promoting the product and its advantages, without ever firmly establishing the credibility of the company. Before you can hope to discuss a product and its performance in any detail, you must overcome the doubts and objections of the buyer relating to your position and that of your company. Without this having been established, you have little chance of success.

You must establish your company's credibility, no matter what its size. Use annual reports, balance sheets, or other documentation that adds substance to your operations. You must prove

that you are likely to be a financially secure and reliable supplier.

Discuss the position which your company holds within your local environment and other overseas markets where appropriate; provide other contacts that the company may turn to for external opinions. Mention key customers or other companies with which you deal, have licence agreements, technical development programmes, or any third-party source that can be linked to your potential buyer and which establishes credibility and provides him with security.

Once these objections have been overcome, you can move on to presenting the product. In this area, your approach needs to be tailored precisely to the buyer's requirements.

Nothing is more useful than showing the actual product; preferably you should be able to demonstrate its performance to the buyer. But

shown on its own, it will require other selling aids for support.

AUDIO-VISUALS

The most dramatic selling aid comes in the form of audio-visual presentation. An audio-visual can hold the attention of your prospective customer better than a face-to-face sales presentation.

Often you will find that the buyer will call on his colleagues to sit in on your presentation. This enables you to get to a range of decision-makers at one time, thus making it easier to overcome problems and objections with the group.

It is essential that you set your objectives for an audio-visual. Is it to be orientated product, or training — serving?

Corporate image provides background to the company, its range of expertise, its position in the marketplace, its growth record, and diversity of products, and shows financial stability.

Product presentation provides information on the product's technicalities, benefits, features, its method of manufacture and packing. It discusses previous uses in other areas of the world, and most importantly, establishes the image of your product in the right market sector.

Catalogue and Sales Brochures

One of the most versatile tools in the salesman's kit is good sales literature. It is often the major promotional aid you will leave behind for future reference by the buyer. Thus, your literature must position your product correctly in the market, and describe its benefits, features, comparative advantages and applications.

It is wise to avoid clutter, and to have a major focus point on each page (photograph, major application, or product feature). Items should be illustrated, but where many of them look alike, this is not essential.

Technical Manuals

Technical manuals must be presented in a logical sequence. They must be quick and easy to use, and provide accurate technical data, examples of calculations, and necessary tables. A clear index at the front is essential, and the use of items such as protruding tabs makes for easy referral to each section.

Photographs

Photography is taking its place as one of industry's most effective sales tools. The camera is becoming part of the standard kit for overseas visits. With it, you can develop your own testimonials on your product's effectiveness, through before-and-after pictures, take shots of competitive installations, and develop ideas for sales promotion and advertising. And you can bring back a visual record of the difficulties in certain regions, and show graphically why product adaptations are required.

Samples and Models

If it is impracticable to take samples of your merchandise, models or working displays can often help in explaining the benefits to the buyer.

Ideally, these models or samples should be in a form that can be left with the buyer for use at a later stage. They should reinforce, in a material way, all the other sales

promotion and act as a practical reminder of the products you are offering.

Market Information

Market information can be used in the selling process in two basic ways: First, as a means of describing the company's economic performance in broad terms. These factors are organised into an integrated company goal structure focusing on profitability defined in terms of after-tax return on equity (see chart).

Before pulling numbers against this goal structure, key staff developed a list of company policy statements to provide the ground rules to be observed when quantifying the company goals.

Then we reviewed company performance in terms of the goal structure factors and used this as a basis for tentatively specifying challenging five-year company goals.

We then conducted a critical appraisal of our environment to identify threats and opportunities, and of the company to identify strengths and weaknesses.

These threats, opportunities, strengths and weaknesses were classified by functional area to provide the platform for developing functional area goals and key actions to enable the attainment of the company goals.

The final step in our planning process was to ensure complete reconciliation and integration of functional area goals with company goals, and their translation into detailed twelve-month budgets and action plans.

Up until this year, these steps have been carried out annually, with no capability for interim reviews and flexing.

Display Screens

Display screens can be an effective medium for presentation or for prospective distributors.

Their design must be of quality and aesthetically pleasing. They must be transportable and put up, as such robust construction as even after a number of displays, they still have "as new" appearance.

Seminars

In order to get the buyers to come to see the product in the first place, it is often possible to arrange a scheduled seminar exhibition that will cover some new facts which are pertinent to your product. This concept has become increasingly popular as it constitutes a quick and relaxed way to obtain the data from a panel of authorities. One can use speakers to conduct a seminar on an informal, non-commercial basis. The commercial aspects of the product are discussed during the stages of the seminar, and the equipment can be exhibited and demonstrated as part of the seminar process.

Follow-up

Having left as much information as is possible to the buyer, and if he appears to be reliable and an interested customer, why not leave a small token of your appreciation to remind him of your company?

If the prospect seems to be interested, suggest that he visit your factory.

Even though you have all available selling aids, convince the buyer to purchase your product. It is essential to have the support of a home base. It is only by following up that the buyer gets the product.

Be prepared to follow up on your sales.

Why corporate plan makes it easier to export

THE first step in introducing a formalised approach to corporate planning, was to define a set of measurable factors which collectively described the company's economic performance in broad terms. These factors are organised into an integrated company goal structure focusing on profitability defined in terms of after-tax return on equity (see chart).

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BILL HALL, managing director of Hadmark International of Hamilton, stresses the need for a corporate plan which will commit a company to more effort in the export arena.

of our plans to meet changing circumstances. But we now have the use of a comprehensive computer-based planning model which gives us the ability to prepare detailed plans and to test a broader range of alternatives and assumptions.

The first time around with our planning was difficult, particularly in terms of going from a company with little formal planning to a more formal approach.

We were aware that we did not want to stifle the entrepreneurial spirit of the company and it was difficult to arrive at a balance.

Although well satisfied with the plan when it was completed, we ignored its contents and left it in the drawer for 12 months, until the next review came up, while we reverted to our old habits of wandering up all sorts of irrelevant paths — which had nothing to do with where we had agreed to go.

We are still experiencing some problems, but each time round it becomes a little easier and the plans become more relevant. Key staff have found it difficult to focus at all times on key actions, because of normal day-to-day activity which can side-track us all, but we recognise this weakness and are slowly overcoming it.

Just recently, we fell into this old trap. Our advertising

agency came up with a promotional package for next year which was very costly, but which focused primarily on the local market. Fortunately, we were able to redirect this thrust into the export arena before it was too late — something we would not have done two years ago.

I am sure that our company would not have made the commitment it has to export without a fully integrated corporate plan which clearly demonstrates the sound economic sense in exporting. It clearly sets out what it means to the company in after-tax dollar terms; it demonstrates that other alternatives are not as economically attractive. The resulting export targets were established not on the basis of what I, as export manager, felt could be achieved, but rather on what the company required for the tax shield to attain our profitability goal.

Because the plan was developed on a team basis,

there was no problem in getting commitment from each functional area to the export effort. In any company you have a diversity of people with different interests who would each like to see the emphasis and priority accorded to their own functional area. Let's say you have 100 units in the warehouse available for sale and you have received two orders, one from overseas and one locally. Under normal circumstances it would be difficult to convince the local sales manager that the 100 units should go to export. But because our local sales manager was involved from the start in the planning process, he understands the economic good sense of export.

There is, in fact, a statement under "policies" in the Management Guide of each functional area which reads: "Total commitment to the export effort." There is a further policy statement to the effect that: "The sales seasonality weakness must be

solved by export in the long term rather than local marketing." This weakness of seasonality was recognised during the planning process and export marketing was given the job of solving it.

These policy statements all assist in directing the export effort and in clearly establishing its priority particularly in relation to local marketing.

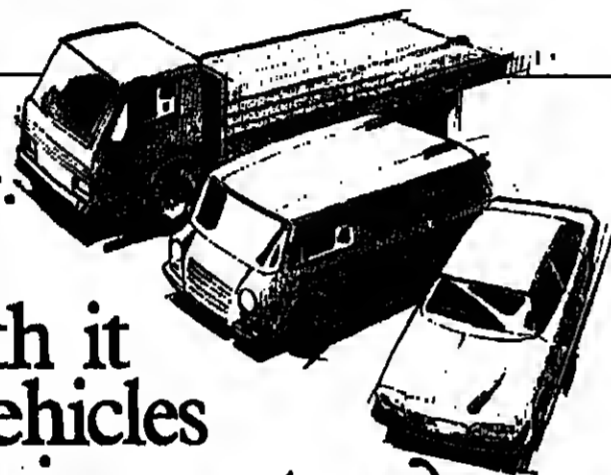
As a result of corporate planning, co-ordination and communication between key staff is enhanced. Each person knows exactly where he fits into the scheme of things and what effect his actions have on the overall company's performance. As a result of the appraisals in each area, weaknesses have been identified without any subjectivity.

If they are not yet overcome, we are in the process of rectifying them. In doing so, they would not only improve our company's profitability, but even the valuable overseas exchange so badly needed by this country.

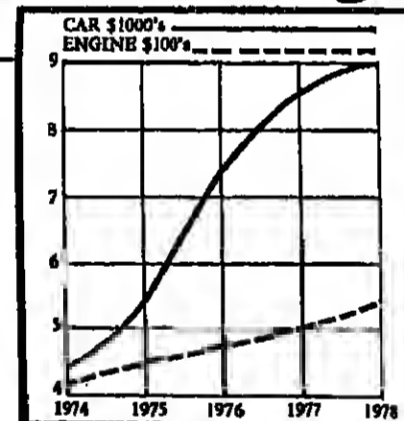
I am sure that if companies would take the time to develop their own corporate plan the sound economic sense of export would become so clear that they would be left with no alternative but to pick up the export challenge. In doing so, they would not only improve their company's profitability, but even the valuable overseas exchange so badly needed by this country.

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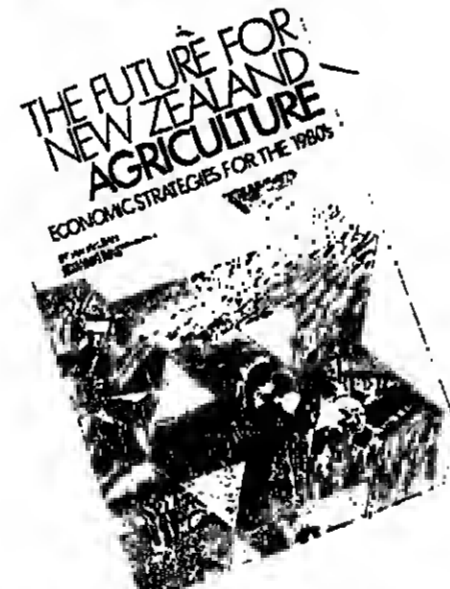
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